FIRST REPORT

OF THE

EXECUTIVE COUNCIL 23

OF THE

American Bankers' Association,

FOR THE YEAR

1877

Including the Addresses and Proceedings

BEFORE THE

COMMITTEE OF WAYS AND MEANS

OF THE

HOUSE OF REPRESENTATIVES,

AT WASHINGTON,

7th February, 1877;

TO WHICH IS PREFIXED

A LIST OF THE OFFICERS OF THE ASSOCIATION.

SECOND EDITION.

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1877.

AMERICAN BANKERS' ASSOCIATION.

OFFICERS FOR THE YEAR 1876–77.

President.

Hon. Charles B. Hall, Boston National Bank, Boston, Mass.

Executive Council.

George S. Coe, President American Exchange National Bank, of New York.
James Buell, President Importers' and Traders' National Bank, of New York.
Thomas Coleman, President First National Bank of Troy, N. Y.
Morton McMichael, Jr., Cashier First National Bank of Philadelphia, Pa.
J. S. Norris, President First National Bank of Baltimore, Md.
Edward Tyler, Cashier Suffolk National Bank of Boston, Mass.
J. W. Lockwood, Cashier National Bank of Virginia, Richmond.
J. D. Hayes, Vice-President Merchants' and Manufacturers' Bank of Detroit, Mich.
L. J. Gage, Cashier First National Bank of Chicago, Ill.

Secretary.

James Buell, President Importers' and Traders' National Bank, New York.

Treasurer.

George F. Baker, Cashier First National Bank, New York.

Vice-Presidents.

Alabama.—William H. Pratt, President Bank of Mobile, *Mobile.*
Arkansas.— —— Duell, Savings Bank, *Little Rock.*
California.—Milton S. Latham, President London and San Francisco Bank, *San Francisco.*
Colorado.—C. B. Lamborn, President Stock-Growers' National Bank, *Pueblo.*
Connecticut.—F. B. Loomis, President First National Bank, *New London.*
Delaware.—Edward Betts, President First National Bank, *Wilmington.*
District of Columbia.—John Hitz, President German-American Savings Bank, *Washington.*
Florida.—James M. Shoemaker, Cashier First National Bank, *Jacksonville.*
Georgia.—W. H. Tuller, Cashier Atlanta National Bank, *Atlanta.*
Illinois.—C. B. Blair, President Merchants' National Bank, *Chicago.*
Indiana.—F. A. W. Davis, Cashier Indiana Banking Co. of *Indianapolis.*
Iowa.—S. C. Bever, President City National Bank, *Cedar Rapids.*
Kansas.—John R. Mulvane, Cashier Topeka Banking and Savings Institution, *Topeka.*
Kentucky.—L. C. Murray, Cashier Kentucky National Bank, *Louisville.*
Louisiana.—A. Luria, Cashier Louisiana National Bank, *New Orleans.*
Maine.—W. E. Gould, Cashier First National Bank, *Portland.*
Maryland.—Henry A. Thompson, President National Bank of Baltimore, *Baltimore.*
Massachusetts.—William H. Foster, Cashier Asiatic National Bank, *Salem.*
Michigan.—Henry P. Baldwin, President Second National Bank, *Detroit.*
Minnesota.—H Thompson, President First National Bank, *St. Paul.*
Mississippi.—J. Green, of J. & T. Green, Bankers, *Jackson.*
Missouri.—Joseph L. Stephens, President Central National Bank, *Booneville.*
Nebraska.—H. Kountze, President First National Bank of Omaha, *Omaha.*
New Hampshire.—Frederic Smythe, Cashier First National Bank, *Manchester.*
New Jersey.—Samuel H. Pennington, President Newark City National Bank, *Newark.*
New York.—Jacob D. Vermilye, President Merchants' National Bank, *New York.*
North Carolina.—J B. Grainger, President Bank of New Hanover, *Wilmington.*
Ohio.—Daniel J. Fallis, President Merchants' National Bank of *Cincinnati.*
Oregon.—Henry W. Corbett, ex-Senator U. S. and Vice-Pres. First National Bank, *Portland.*
Pennsylvania.—Joseph Patterson, President Western National Bank, *Philadelphia.*
Rhode Island.—John W. Vernon, Cashier Merchants' National Bank, *Providence.*
South Carolina.—W. C. Breese, Cashier First National Bank, *Charleston.*
Tennessee.—H. E. Garth, President German National Bank, *Memphis.*
Texas.—James H. Raymond, of James H. Raymond & Co., *Austin.*
Vermont.—Henry P. Hickok, President Merchants' National Bank, *Burlington.*
Virginia.—George M. Bain, Jr., President Exchange National Bank, *Norfolk.*
West Virginia.—J. Nelson Vance, President Exchange Bank, *Wheeling.*
Wisconsin.—N. B. Van Slyck, President First National Bank, *Madison.*

FIRST REPORT

OF THE

EXECUTIVE COUNCIL

OF THE

AMERICAN BANKERS' ASSOCIATION

FOR THE YEAR 1877.

The first meeting of the year was held at the Windsor Hotel, New York, January 23d, 1877. The following members of the Council were present:—George S. Coe, James Buell, Morton McMichael, Jr., Edward Tyler, J. W. Lockwood, J. D. Hayes, and George F. Baker, Treasurer.

The Hon. CHAS. B. HALL, President of the Association, took the chair.

The Secretary being called upon, read his report, of which an abstract is subjoined:

REPORT OF THE SECRETARY.

Since the organization of the Association at Philadelphia, at the October convention, the Secretary and Treasurer have been actively pursuing the duties prescribed by the Executive Committee. They have sent out and received seventeen thousand two hundred letters connected with the Treasurer's department. In addition to this correspondence, there have been letters received and sent out from the Secretary's department to the number of eighteen thousand and upwards; giving a total correspondence of more than thirty-five thousand letters received and sent up to 23d January, 1877. During the last week the Secretary has forwarded a circular to all banks and bankers in the United States, as well as to the trust companies, the chambers of commerce, and the boards of trade. One of the most gratifying proofs of the success which has attended the labors of the Association is found in the fact that already about one thousand six hundred of the banks have joined the Association; that its numbers are daily increasing; and that most of the banks which have deferred becoming members of the Association, have expressed their sympathy with its objects and their desire to cooperate with its work. These institutions will, doubtless, soon see and feel the beneficial effects produced by combined action, and will ultimately become members of the Association. The letters daily received by the Secretary average now about one hundred, of which a large proportion contain petitions.

Immediately after the meeting of the Executive Council above referred to, arrangements were made for a deputation of the Association to unite with the representatives of the Chambers of Commerce and Boards of Trade in soliciting a hearing before the Committee on Ways and Means of the House of Representatives at Washington. The day fixed by the Committee of Ways and Means was Wednesday, the 7th of February, when the

following gentlemen appeared before the committee to advocate the passage of Mr. Wood's bill, No. 4,565, or some similar measure, to relieve the banks and bankers from all national taxation, including the stamp tax, if possible.

George S. Coe, President Am. Ex. Nat. Bank	New York.
James Buell, " Importers' & Traders' Bank	"
Jacob D. Vermilye, " Merchants' "	"
John W. Ellis, of Winslow, Lanier & Co	"
Joseph Patterson, President Western Bank	Philad., Pa.
James V. Watson, " Consolidation Bank	"
E. A. Rollins, " Centennial "	"
Morton McMichael, Jr., Pres't First Nat. "	"
Louis Sauvier	New York.
George W. Lane	"
J. M. Constable	"
Gustav Schwab	"
James Hazlehurst	"
B. G. Arnold	"
J. D. Hayes, President Mer. & Manf. Bank	Detroit, Mich.
Daniel J. Fallis, " Merchants' Nat. Bank	Cincinnati, O.
Charles Higgins	St. Louis, Mo.
Joseph W. Plume, Cashier Manuf. Nat. Bank	Newark. N. J.
Charles G. Rockwood, " Nat. Newark B'k'g Co.	" "
Stephen H. Condict	" "
Enoch Pratt, President Nat. Farmers' & Planters' Bank	Baltimore, Md.
J. Saurin Norris, " First Nat. Bank	" "
Henry A. Thompson, President Nat. Bank of Baltimore	" "
William W. Taylor, " " Union Bank	" "
John D. Scully, Cashier First Nat. Bank of Pittsburg	Pittsburg, Pa.
Fitzhugh Coyle, President Nat. Bank of the Republic	Washington, D. C.
J. W. Lockwood, Cashier " " Virginia	Richmond, Va.
George A. Halsey	Newark, N. J.
Phineas Jones	New York.

The following associations were also represented: Baltimore Board of Trade, Boston Board of Trade, Bridgeport Board of Trade, Buffalo Board of Trade, Chicago Board of Trade, Cincinnati Chamber of Commerce, Davenport Board of Trade, Detroit Board of Trade, Dubuque Board of Trade, Kansas City Board of Trade, Milwaukee Chamber of Commerce, Mobile Board of Trade, Newark Board of Trade, New Haven Chamber of Commerce, New York Board of Trade, New York Chamber of Commerce, Philadelphia Board of Trade, Portland Board of Trade, Providence Board of Trade, Richmond Chamber of Commerce, San Francisco Chamber of Commerce, Scranton Board of Trade, St. Louis Board of Trade, Trenton Board of Trade, New York Clearing House, Baltimore Clearing House, Boston Clearing House, Chicago Clearing House, Cincinnati Clearing House, Cleveland Clearing House, Columbus Clearing House, Indianapolis Clearing House, Kansas City Clearing House, Louisville Clearing House, Lowell Clearing House, Milwaukee Clearing House, New Haven Clearing House, New Orleans Clearing House, Philadelphia Clearing House, Pittsburg Clearing House, San Francisco Clearing House, St. Louis Clearing House, St. Paul Clearing House, Worcester Clearing House, Ohio Bankers' Association, The Executive Committee of National Banks of the United States, The Missouri Bankers' Association.

The proceedings before the Committee on Ways and Means were reported as follows by Mr. H. G. Hayes, the official reporter of the Committee.

REPEAL OF TAXES ON THE BANKING BUSINESS.

PROCEEDINGS

BEFORE THE

Committee on Ways and Means

OF THE

HOUSE OF REPRESENTATIVES,

WASHINGTON,

7th FEBRUARY, 1877.

[Printed from the Notes of the Official Reporter to the Committee on Ways and Means.]

COMMITTEE ON WAYS AND MEANS,
WASHINGTON, D. C., 7 Feb., 1877.

Proceedings had on the question of the proposed repeal of taxes on the capital and deposits of Banks.

Mr. FERNANDO WOOD (acting Chairman) called the Committee to order, and stated that there had been referred to the committee a large number of petitions asking for the repeal of bank taxation, and also a bill for that purpose. Representatives of banking institutions throughout the country and of the Chambers of Commerce and Boards of Trade of New York and other places were in the room, and desired to be heard.

Mr. PATTERSON, President of the Western Bank of Philadelphia, said that he had been requested to express the thanks of those present to the members of the committee for the audience given to them. The gentlemen present were representatives of the commercial and manufacturing interests, of the Boards of Trade, of the Chambers of Commerce, and of the national and other banks, from the Atlantic Ocean to the Pacific. Many of them had been long and closely identified with that interest which is connected with the aggregation and distribution of money. They had been active in public affairs to some extent. All the institutions which they represented had met their obligations of duty to the government with fidelity. The banks had paid taxes, enormous in amount, with an alacrity which had attracted the attention and respect of the country and of the world. They felt now that they were laboring under oppressive legislation, and they had come to ask relief from it. They represented no particular locality and no particular interest, but the localities and interests which they represented were co-extensive with the whole country. They therefore claimed respectful consideration and attention.

Mr. J. D. Hayes, of Detroit, Mich., representing the Executive Council of the American Bankers' Association, as well as the Merchants and Manufacturers Bank of the city of Detroit, addressed the Committee. He said:

It is presumed to be an admitted fact that banks are as necessary to the commerce of the country as the merchant, manufacturer, shipbuilder, producer, or any other part of the machinery or occupation forming a part of the grand total of the business of the United States. Wherever or whenever banks prosper, there and then the business community will prosper. On the other hand, whenever the banks are overburdened with more than their share of losses or taxation for any considerable length of time, a reaction must follow, affecting other business, until all classes will be alike burdened, and all alike feel the great need of relief.

The necessities of the war created the necessity for our national system of banking, as well as the system of taxation. While the war lasted, money was very abundant, and was handled in large sums through the banks which enabled them to pay their share of taxation required in common with all industries or branches of business. But when the war closed, there should have been an end of a system of unequal taxation, instead of which it is claimed that banks are still suffering from double and in some cases three times the amount of taxes that are being collected upon capital represented by banks, than upon the same amount of capital represented by other property.

The various branches of business have become so paralyzed as to render the loaning of capital upon goods, reliable security, extremely difficult, even at a low rate of interest. Yet the system of double taxation continues to be collected upon idle and unprofitable capital. We feel that the time has come for the banks and the business community to ask in confidence for the removal of bank taxation by the general government, allowing each State to deal with the banks upon the same terms that they do with individuals or companies within the several States.

When the war closed, the government system of taxation upon manufactured goods and many other industries was either wholly removed or very largely reduced, while the banking interest continues to be taxed by the general government, State and municipal governments. By referring to the report of the Comptroller of the Currency for 1875, page 225, you will find his figures for *ten* years—from 1866 to 1875 inclusive:

The banks paid the United States..........................	$86,132,404
And to States and municipalities..........................	84,805,746
Total taxes for ten years........	$170,938,050

The *average* capital represented upon which this amount of taxes was paid was $450,939,485. It will be seen that about 38 per cent. of that vast capital was paid for taxes in ten years, or equal to an average of 3 8-10ths per cent. per annum for the whole time, which, added to the expense of managing the banking institutions, together with their share of losses, express charges, and other assessments, places banking capital under very much greater burden than almost any other class of business.

STATE TAXATION:

Of banking capital is, in many instances, *more than double* the amount collected from capital in other branches of business. Bank shares, as shown by their books, represent a given sum, which the assessor may subject to taxation not only upon the entire capital, but in some cases the entire

market quotations are assessed, while other corporations are assessed at a nominal valuation of property, perhaps not over one-half the reputed money value, while private firms and individuals so arrange their business affairs as to escape almost entirely their fair share of State and municipal taxation. The more they escape the heavier the burden becomes for the banks with their fixed capital taxation.

Take the State of New York, as a State. For 1874 it paid taxes upon banking capital of $106,599,708.

To the United States, it paid..............	$2,026,960	or 1 9-10 per cent.
To the State and municipalities........	3,044,565	or 2 9-10 per cent.
Total	$5,071,525	or 4 8-10 per cent.

When you separate the *State* from the *city* of New York, and apply the city or municipal taxation to the banking capital of *the city*, you will have a total of government, State and city taxation of from 6 to 7 per cent., with a corresponding reduction upon smaller banks in the country, where both the assessment and taxes are comparatively light and more evenly distributed. At the same time that taxation is laying its heavy hand upon our own banks in this double manner in our large cities, foreign capital banks, bankers and bank agencies are allowed to flourish, doing a very large and profitable business with our merchants and traders without payment of taxes to either government, State or municipality. Neither do such banks pay any taxes, as banks in the country where they belong. Their stockholders, if they pay anything, it is upon the *net income* from their shares, which is taxed only in the same *uniform* proportion of any other income from any other class of property in any part of the kingdom. In short, our own banks in New York city pay from 6 to 7 per cent. upon their capital—foreign banks pay nothing.

The assessments in the various States are also found to be very unequal as will be seen by reference to the table. Nebraska capital pays $5\frac{3}{10}$ per cent while Kentucky pays only $1\frac{6}{10}$.

It may be said that banks enjoy some special franchises as an offset against government taxation. Let us see how much such franchises are worth in some of the best banks in the large cities. Take a bank with $1,000,000 circulation, and $3,000,000 on deposit would be required to hold $1,000.000 government money (or greenbacks) to secure bill holders and depositors. As the government pay no interest upon this reserve, that will offset the interest paid by the government upon the bonds held for circulating notes, even supposing the balance of the capital could be loaned at all times at fair rates.

Deposits in large sums are not supposed to be left with banks for any considerable time without some compensation; therefore the net gain from that source is not as much as the public are inclined to believe. The advantage from lost bank bills inures to the government and is no gain to banks. We have some reliable data from which to state about the average benefit from that cause. From July 17th, 1861, to December 31st, 1862, the Treasury Department issued $60,000,000 of demand notes for war purposes. Every one knows that at the commencement and during the war, money was used in as careless and unsafe manner as it ever was, yet the Government has actually redeemed $99\frac{7}{8}$ per cent. of the whole sum issued, leaving only $\frac{1}{8}$th of one per cent. outstanding or lost.

The State of Wisconsin by law requires every bank going into liquidation, or retiring their circulation, after having retired eighty per cent. of

their notes, to give two years' notice in some newspaper of the county in which the bank was established, that the balance of the notes must be presented for redemption. The report of about 200 banks, with the entire circulation of $7,565,409, after passing over a term of years had only $1\frac{78}{100}$ per cent. outstanding or lost. Spreading that over say six years only, and you have an average of only about $\frac{3}{10}$ of one per cent. per annum. Then again take the report of the National Banks which failed prior to 1870. There was issued to them $1,550,400 in notes for circulation. On the first of November, 1875, there was only $1\frac{30}{100}$ per cent. unredeemed. Allowing only seven years for business, and you have an average of only $\frac{1}{5}$th of one per cent. per annum, from which the average gain to the banks upon *circulating notes* is very small, the ratio upon average *capital* would be still less. These statements are from official reports, and cannot be successfully contradicted.

The National Banks are supposed to be the banks receiving special franchises from the government, yet 49 have failed representing a capital of $10,276,100. Two hundred and one have gone into voluntary liquidation up to January 1st, 1877, with a capital of $27,843,610. Those now doing business, are very many of them debating about going out of business or very largely reducing their capital on account of this oppressive system of double taxation. The propositions now pending for reduction of capital in the city of New York alone amount to about $12,500,000, equal to about 15 per-cent. of its total capital. This example of New York will be followed by other large cities, then spread to the country, so that when the long-wished for revival in business occurs the banking facilities and capital will be seriously crippled. The demand for capital will be greater than the supply, owing to this unwise, unequal system of double taxation.

It is estimated that the accumulations or surplus of former prosperous times have been reduced upwards of $5,000,000, to pay deficiencies upon earnings enough to meet the dividends expected by stockholders, and to keep up the reputation of being regular dividend-paying institutions.

The Comptroller of the Currency says: "Letters recently received by the comptroller from presidents of two banks—one in the East and one in the West—refer to this greatest of all economical subjects in such plain terms that he cannot forbear calling the attention of Congress to their suggestions. Many of the shareholders of the National banks depend for their income chiefly upon the earnings of these institutions,-and it does not seem just that these thousands of shareholders shall by any construction of law be compelled to pay an undue proportion of the taxes of the country. It is submitted that the law, as now interpreted by different State courts and by assessors and collectors, is neither equitable nor honest." It is not stated the kind or condition of "these thousands of shareholders" that are sustaining the burthens of this double system of taxation that "is neither equitable nor honest." Every one that is familiar with banking institutions knows that there are a large number of widows' and orphans' money belonging to estates invested in banks in trust for invalids, crippled or helpless children, and females. The Bank of Pittsburgh alone has 295 *female shareholders*, therefore a very large number are by law, and circumstances over which they have no control, debarred from even protesting against the wrongs of this system of double taxation, which, if continued, forebodes evil to the banking institutions and their stockholders, as well as to the whole commercial, manufacturing, shipping, and producing interests of the country. This system, which, in its workings, puts double taxation upon a bank say of $300,000, while an individual assessment upon the same VALUE of *property*

is put at $180,000, and *that* sum taxed only by the State and municipality, and not by the General Government, we think is unwise, unjust, oppressive, and *should be illegal.*

THE PUBLIC DEBT

In 1866 was at its highest point, $2,773,236,000. To provide for the expenses of the Government and the very large amount of interest upon the debt, required about all the resources at the hands of the Government, without the material reduction of the principal by unjust taxation, or by putting heavy burdens upon the people for a few years after the close of the war. Yet we find a reduction of the debt of about $550,000,000 since 1866 ; and it is yet going on at time when the country is suffering more from unparalleled losses by the Chicago and Boston fires, the reaction caused by the panic of 1873, putting a stop upon incomes from stocks, bonds, shipping, manufacturing, rents and other interests, causing a shrinkage in value of property of more in amount than the whole national debt, all within a few years. This is a bad time to continue taxation for reducing the public debt, therefore it is urged upon the Government to remove burdensome taxation upon the banks of the country as one means of gaining the much needed relief that the country must have in order to recuperate its languishing condition.

The government can imitate the example of England to advantage, in the management of the public debt. When England came out of the war with France and America her national debt was 52 per cent. of her assessed valuation. But by her sound policy and fostering care and attention to her great commercial and manufacturing industries, she developed her resources so rapidly that substantial prosperity and wealth followed to such an extent that about 50 years after, the debt, without being decreased in amount, only stood at about 12 per cent of the assessed value. Should this nation increase as rapidly in population and wealth for 50 years to come as we have for the past, the ratio of the national debt in proportion to the population and property would be very small indeed.

Individual efforts have been made from time to time, and the statement of the Comptroller of the Currency has shown so clearly the facts of excessive bank taxation, that we had confidence to hope for its removal before this. The continuance of this burden, together with the continuation of the fearfully depressed condition of the various interests of the country, together with the increasing tendency, based upon necessity for the banks to either go into liquidation or reduction of capital to escape this unequal, and we think unwise and unnecessary system of taxation. We now make a united effort under the authority of "The National Bankers' Association," which represents a membership of about 2,000 banks spread over the whole country from the Atlantic to the Pacific. We have asked signatures to petitions, and a ready response has followed by thousands upon thousands of names. The various boards of trades, chambers of commerce, produce exchanges, with other commercial and manufacturing associations have or will take action to ask Congress to grant the removal of national taxation, to prevent the withdrawal of capital from banking institutions, leaving the capital to be assessed only by the several States and municipalities in the same manner that other companies and individuals are. Therefore it is to be hoped that you will give this measure your earnest, undivided support. In doing so we feel assured that you will do an act of justice to the banks and the business community, and receive the thanks of every intelligent citizen that has given any attention to the present system of unequal bank taxation.

Mr. George Schwab stated that himself and several other representatives of various interests (Mr. B. G. Arnold, the largest coffee importer in the United States; Mr. Lane, representing the grocery and tea trade; Mr. Constable, representing the dry goods' trade, and Mr. Hazlehurst, representing one of the largest manufacturing interests in the State of New York, the New York Mills of Utica), had been commissioned by the Chamber of Commerce to appear before the Committee in support of the petition which, at the instigation of the Chamber of Commerce, had been signed by about 1,400 of the most prominent firms in the city, and was now before the Committee. It had been thought advisable that they should come before the Committee, lest it might appear as if the question of relief from bank taxation was only a question affecting the banks. The business men of New York wanted to impress upon the Committee that the question was by no means confined to banks and saving institutions. The history of financial institutions showed that from the beginning of this Government the industry and commerce of the country had relied on facilities from incorporated banks, whereas in old countries it was principally private bankers that supplied those facilities; and it was a singular fact that, although business interests in this country had thus relied for 100 years principally upon incorporated banks, those incorporated banks were taxed far more than in any other country in the world. A taxation like five per cent. on capital, which was less than the average taxation to-day on the banks in the city of New York, was unknown in any other part of the world, and would be, anywhere else, considered an unbearable burden. And so it had proved in this country, and more particularly in the city of New York, because the United States tax, being on deposits, fell with much greater force upon the banks of that city than upon banks elsewhere, because the New York banks held a very large part of the deposits of the country banks. The burden had become so great that twelve and a half millions of the bank capital was now in course of elimination, and five millions of the surplus of its banks had been taken out and divided in the shape of dividends, thus making a reduction of banking capital in the city of New York to the amount of seventeen and a half millions, which was equal to 21 per cent. of the capital of the banks. This reduction was not felt now, but as soon as the country began to recuperate there would be a demand for money, and it would be then found out where banking facilities had gone and how much they had been reduced. When the time of recuperation came, it could hardly be otherwise than that these banks would be in such condition as that recuperation would be stopped and impeded by the want of banking facilities. This would also render it impossible for the Government to convert its six per cent. bonds into four and a half per cents. any longer, because when the rate of interest advances in New York and in the United States it also advances in Europe. It always had done so, and always would do so, and this would necessarily depreciate American bonds. Therefore, what the Government now gained by this bank taxation would, in a very short time, be partially lost by the inability of the Government to convert its bonds at a lower rate of interest.

Mr. Schwab went on to state that bank taxation discriminated very severely against incorporated banks and in favor of private bankers, and also of foreign bankers. The private bankers in the city of New York were largely doing business on foreign capital. For instance, there was not a large bank in Canada that had not its authorized agency in New York, selling exchange, buying and selling gold, and holding very large deposits for Canadian institutions and for Canadian individuals. These banks and bank

agencies escaped United States' taxation altogether. Their funds were deposited in New York banks, and the New York banks had to pay the United States tax of one-half per cent. on those deposits, which the Canadian banks could command at any hour in the day. It struck him that this was a gross injustice.

Mr. Hill: Do you say that the tax by the general government on National Banks is a discrimination in favor of private banks?

Mr. Schwab: No; because the State Banks pay the same taxation.

Mr. Hill: Is there not a special tax of 10 per cent. upon the circulation of State Banks?

Mr. Schwab; Yes, and the result has been that all the State Banks have withdrawn their circulation.

Mr. Hill: What would be the effect of repealing that tax of 10 per cent. on the circulation of State Banks? Do they not fail to have any circulation simply because of that tax?

Mr. Schwab: I suppose they do.

Mr. Hill: Suppose we were to repeal that tax of 10 per cent. on State Bank circulation, and put them exactly on the same footing as the National Banks, would that be justice?

Mr. Schwab: It would only enable State Banks to issue circulation again, which they are not able to do now. It would give no relief whatever to the National Banks. The taxation on National Banks now is ½ per cent. on capital, one per cent. on circulation, and ½ per cent. on deposits.

Mr. Tucker: Has not the tax on the circulation of State Banks taxed them out of existence, so far as regards circulation?

Mr. Schwab: I believe it has.

Mr. Kelley: That tax was distinctly imposed for the purpose of compelling State Banks to accept the National Bank law, by prohibiting them from issuing circulation. Congress had not the right to prohibit State Banks from issuing circulation; but, by imposing a tax of 10 per cent. upon the circulation, we compelled them to withdraw it, and to accept the provisions of the National Banking Law, which gives them the interest on the gold bonds which they have on deposit, and taxes them one per cent. on their circulation.

Mr. Hill: You had no right to hang the State Banks, but you starved them to death.

Mr. Kelley: Yes. As the friend said to the dog, "We would not kill them, but we gave them a bad name."

Mr. Norris, of the First National Bank of Baltimore, said:

Something has been said about the circulation and the privileges of the National Banks, and about the taxation out of existence of the State Banks. The State Banks could have come in. If they did not, it was simply because they did not choose to come in and give the security which the National Banks afford. We deposit $100 for every $90 of circulation that we issue.

Mr. KELLEY: Does not the government guarantee you 6 per cent. in gold on your capital?

Mr. NORRIS: No, sir; it does not. It guarantees 5 and 4½ per cent.

Mr. KELLEY: It originally guaranteed 6 per cent. It now guarantees 5 and 4½ per cent.

Mr. NORRIS: The bank which I represent has $1,110,000 of capital invested in U. S. bonds, bearing 5 per cent. interest, I suppose.

Mr. KELLEY: Then the government guarantees you per 5 cent. on your capital.

Mr. NORRIS: Undoubtedly it does.

Mr. HILL: It gives you the same guarantee that it gives to anybody who holds Government bonds.

Mr. KELLEY: Your total capital is deposited in United States bonds.

Mr. NORRIS: It is; and on it we have the privilege of issuing some $800,000 of circulation. The Government gives us these notes; and the law says, that in place of all other taxes, there shall be paid a tax of one per cent. for the expenses of the Comptroller's bureau. The national banks have paid $33,000,000 for the support of that bureau; and the expenses of the bureau have been $4,000,000; so that the Government owes us, at this moment, $29,000,000. Is there no *quid pro quo* in that?

Mr. WATTERSON: Amplify that a little bit. How does the Government owe you $29,000,000?

Mr. NORRIS: The National Bank Law of 1863, says, that in lieu of all other taxes, national banks shall pay a tax of one per cent. on their circulation, which shall be appropriated for the expenses of the Bureau of the Comptroller of the Currency. The Comptroller's last report shows that there has been received into the Treasury from that tax, $33,000,000, and that the expenses of the bureau have been $4,000,000; so that $29,000,000 have been paid as profit on printing national bank notes.

Now, what are the facts at this moment? The reduction of national bank circulation is going on continually. Why? Because there is no profit in it. Some of the banks in the city of Baltimore have reduced their circulation, within the last twelve months, over a million of dollars. I do not say how many thousands and millions of dollars of unsigned notes are lying in the vaults of those banks. I can, myself, go into the vaults of my own bank to-morrow and produce $150,000 of unsigned notes, because we do not want to use them. We do not pay a tax on them because we do not issue them.

Mr. GEORGE S. COE, President of the American Exchange National Bank, New York, next addressed the Committee. He said:

I stand before you, gentlemen, in a double relation; representing, on the one hand a national bank, and on the other hand, the Chamber of Commerce. But I think you will say, as I proceed, that in respect to the question before the Committee, these interests are identical. The subject before you is a subject, not of banks particularly, but of commerce; and it is in that view that I wish to speak. The money value of the question is, a revenue of $8,000,000 which the Treasury derives from the tax on deposits, and a revenue of $3,000,000 which it derives from the tax on circulation. The last of these subjects I do not propose to touch, because it is not so strictly, in my view, a commercial question—and it is in the interest of commerce that we are here.

This $8,000,000 is derived from a tax on deposits. What are deposits?

They are not, as is popularly and without thought supposed, deposits of money; because the subject of this tax embraces 600 millions from private bankers, 700 millions from national banks, and 800 millions from private persons.

What I mean is this—that this is not exclusively or chiefly a banking question. It is a commercial question. It is a commercial question because it does not respect money; and in order to prove that, I will show you that the aggregate of all those deposits is more than all the money, of every kind and sort, in the United States, call it by what name you please—gold, silver, paper, and every other kind. Therefore, money is not the main subject of the discussion. It is what are called deposits. Now, what are deposits? This question involves not only the question before us, but also the great question of currency. What is a deposit? It may consist of a draft drawn against the movement of any kind of property whatever, whether the product of manufacturing, agricultural or any other skill. For instance, 100 bales of cotton are sent from New Orleans to New York, shipped inland. This cotton is not money. There is not a dollar of actual money connected with it. It has a value equivalent to so much money. The party in New Orleans who ships it, chooses to send it to Cincinnati and draws a draft against it, upon that place, and deposits that draft in bank in New Orleans. That draft becomes a deposit. Is it money? Is it not cotton and nothing else? The owner in Cincinnati moves it to Pittsburg, and he puts the draft which he draws upon that place against it into a bank in Cincinnati, and there also it is a deposit. The owner in Pittsburg again moves it to New York, and there again a draft is drawn and is deposited in bank. That is the third time that the value of that 100 bales of cotton becomes the subject of a deposit, and yet not a single dollar of money is deposited. Now, what is that which is taxable? Is not the tax upon those deposits the tax upon that cotton? Is it not a tax of one-half per cent. on the industrial interests of the country, as represented in that particular article? Clearly, it is. Money has nothing to do with it, whatever, except as representing the value of the cotton.

The whole commerce of the country is so changed and interchanged by deposits. One illustration is as good as a thousand. The cotton is a commodity of commerce, valued at so much when it starts. It is only valued for the sake of accounting; and yet every movement of it is made from time to time the subject of a separate deposit, and upon such operations, the banks are called to pay a tax. This, I say, is a tax upon commerce, just as clearly so as if you were to impose a tax of one quarter per cent. per pound on the cotton itself. So you may follow that illustration out through every item of commerce that passes through the country, exchanged and interchanged. All this movement of commerce, if it be very rapid, is taxed more; if it move very slowly, it is taxed less; and the deposits are, therefore, dependent upon commercial activity whether more or less, as the case may be. Therefore, this question before us is a vital question, not to the banks but to the whole country, and to its entire commerce and trade.

In the next place, how are these deposits made? They may be made by deposit with a private gentleman. Any one gentleman sitting here may say to the man who moves the 100 bales of cotton, "I will receive your draft, and you may check upon me for the value of bank for your cotton." That is a deposit. It is a deposit with him as an individual; and what difference does it make whether he be called a bank or a banker, or a private person? He performs simply the duty of facilitating the transmission of the cotton to market. Consequently if you tax such transactions at all,

you should not select certain classes of depositories to tax—not bankers or merchants, but you should tax all who perform that same service. In that sense, there isn't a gentlemen here who is not a depository, just as much as a bank or banker is.

I say, furthermore (what follows as a matter of course), that the more active the commercial industry of the nation is, the more numerous are the deposits. In other words, the more produce there is to be moved, the more money value is represented, and that is all that there is about it.

You will see, from this statement, that the argument is unanswerable. Taxes upon deposits are direct taxes upon industry, collected through banks and bankers, and their practical operation is to repress and hinder all kinds of trade and commerce. Any gentleman here may put questions to me to show any defect in the argument if there be any. If that be so, then the question is whether it is politic at this time to tax industry. Does not the country require all the aids and all facilities that it can secure, and to have all impediments to industry removed, if possible?

Mr Kelley: Do not all taxes affect industry and production?

Mr. Coe: Undoubtedly they do; and it is because these charges upon deposits are in reality taxes upon labor, and operate as an excise duty upon every product of human industry moving in market, that they are now so oppressive. They ALL demand relief together. The question then is, Mr. Chairman, is it best, at this time, when excise duties and war taxes upon internal commerce have been cut off by the wisdom of Congress, to continue any portion of them? Is it fair to hold on to one particular part under the false idea that it affects only the special class of people, who have to pay it; or is it not better, following the policy already indicated by Congress to sweep the whole thing away as no longer expedient?

Mr. Kelley: Is not that a mistaken assumption of yours? Did we not collect last year nearly one hundred and seventeen millions from excise?

Mr. Coe: The answer is this: I submit, in the first place, whether Congress has not considered it wise to remove excise duties of every kind as far as possible; and, if so, that it follows logically that those taxes upon labor, which practically takes the form of deposits, and which thus represents the whole system of human industry should, for the same reason, be also removed.

Mr. Burchard: I understand your position to be that deposit accounts are the indebtedness of the banks, and that the indebtedness of banks ought not to be taxed any more than the indebtedness of individuals.

Mr. Coe: That is rather limiting the conclusions deducible from my argument.

Mr. Burchard: Am I right in the first proposition, that deposit accounts represent indebtedness?

Mr. Coe: That is true.

Mr. Burchard: And that indebtedness, in your opinion, is not a fair subject for taxation?

Mr. Coe: That is true.

Mr. Thomas: The illustration which you give is that in effect this taxation on deposits is a taxation on the cotton itself?

Mr. Coe: Yes, sir. And the point is that this was a war-tax. All these taxes were war-taxes. They were not regarded seriously at the time.

They were borne in the first place because we were all generally patriotic, and desired to pursue the great subject then in hand; and in the second place because the great movements of the war gave great activity to commerce, and the enlargement of the currency was so continual that everybody was eager to secure some commodity to-day, and to sell it to-morrow, in order to secure the advancing price, and to repeat the operation the next day, upon the issue of more currency, simply for the profit which he might gain by it. Therefore the tax was freely paid, and was considered of no consequence, because the profits, and the general activity and success of commerce, in every branch of industry, was such that the tax could easily be diffused. It was borne as a matter of little consequence, just as all other taxes were borne during that period.

But all those peculiar conditions have passed away, and now we are come to a place where the circumstances are entirely reversed. The war is over; commerce is not active; currency does not expand any more. On the contrary, we are returning to a contraction of currency. That being the case, it is very hard for persons who buy something to-day, and who know that they have to sell it to-morrow at perhaps a cheaper rate, or take the chance of doing do so; I say it is very hard for them to incur this risk, and, in addition, to pay this tax.

Looking at contraction as inevitable, and as necessary, people have, in the ordinary parlance, "discounted" the fact, and have resolved, for their own part, to act accordingly. How do they act? By buying as little as possible, and by selling as soon as possible; by doing everything in the most economical mode possible; by keeping their employés to the lowest measure of compensation possible; in other words, by pressing all kinds of commodities and commerce to the level at which they originally were, until solid ground is reached. That transitional point is the period at which this tax goads us to the very quick. It takes the life out of commercial banks. In ordinary cases a tax upon commerce can be diffused. As long as it is possible for banks or bankers, or other custodians, to charge a rate of interest by which they can distribute this tax through the community, it bears lightly on them; but when we come to a place where there is a redundancy of currency, where the amount lying on deposit is more than is needed and is not used, when the rate of interest goes down, there is no possibility of a distribution of the taxation, and the burden must fall upon the depositaries who have it. The result is that these depositaries are being rapidly extinguished. The banks of this country cannot possibly afford to pay all this taxation. All healthy taxation, in order to be fair, must be diffused. This is no longer possible in respect to this tax. The fact is that during the last two or three years (and it will be so until we come back to specie payment) a large volume of unused currency has been lying in the banks, because it has not been needed in trade, and it will continue to lie there, especially in the great cities where commerce condenses, and where the deposits are particularly large. And the consequence is that, if this tax be continued, and be imposed with all other taxes, these city institutions cannot live. It is impossible for them to stand it. The institution over which I have the honor to preside pays $800 every day of its existence for taxes, before it pays a single dollar for expenses, or does anything; and our next-door neighbor pays $1,600 every day for taxes. How is it possible to get this back or to contribute it?

For the last three years the rate of interest charged by the New York banks has averaged less than 5 per cent.; and any commercial operation which it is now safe for banks to go into must be done at 4 per cent., if done at

all. How then, can banks in New York pay 3 per cent. to the State, $\frac{1}{2}$ of 1 per cent. to the Government, and these peculiar taxes on their functions besides? One of two things must happen. These institutions must be extinguished, or the tax removed. Which is best? Is it public policy that they shall be extinguished? Are we not approaching a period when, above all other times in the history of the country, organized capital is necessary for recuperation? We are passing through a period now when we must have, in organized form, all our possible resources, or we shall utterly fail in the movement of a return to specie payments.

Mr. Tucker: What dividends are paid by the New York banks among their stockholders?

Mr. Coe: I will come to that in a moment. These institutions, I say, must be extinguished (because it is impossible for them to proceed and occupy the position they do), or this tax must be removed. Now, to prove this: during the last year, from the city of New York alone, there has gone out from taxation, bank capital and surplus (which is the same thing), 13$\frac{1}{2}$ millions. This has been divided, and given back to the parties who put it in. Another large institution stands ready, waiting for the result of this proposed removal of taxation, to say whether it shall send back 5 millions more. I allude to the Bank of Commerce, the largest banking institution in the United States. Then there are other institutions of a smaller class (amounting to some 2 millions more), ready to do the same. That is 13$\frac{1}{2}$ millions of banking capital already withdrawn, and 8 millions in contemplation of withdrawal. And the value of the remaining banking capital in the city of New York has depreciated 12$\frac{1}{2}$ per cent. That, on a capital of 77 millions, represents a loss of about 9 millions more; which makes a total of over 30 millions of bank capital and value lost, because it could not stand the taxation. And this will go on until there is nothing left.

Now, what is the function that the banks perform? At the present time when currency is not wanted, they gather it up in reservoirs, waiting for the time when it is wanted. That is a service indispensable to be performed, and which individuals cannot perform. The banks gather together the excessive currency, and they are ready to return it to the Government in exchange either for the funded debt, or for coin, as the Government may permit. And it is very hard that the banks should perform this valuable service—being the custodians of this idle, unused, unnecessary compulsory currency—and then have to pay the government $\frac{1}{2}$ of 1 per cent. on it.

You are well aware (and it is a most happy fact) that the balance of trade has turned in our favor to a very large amount. General Grant has put it very fairly in his late message. Who takes care of this gold when it comes? What is the use of it? Does any gentleman here keep it, waiting for that great exigency when the country will want it? Who performs the service of simply taking care of something which is, absolutely, a dead thing, and of no use as money, because it is demonetized, and is no use for anything else? The banks. And upon every dollar of it which the banks thus hold for the benefit of the country, and not of themselves, they are required to pay one-half of one per cent.

This is an agency of most vital importance. If it is swept away, you will find, to the sorrow of the country, that it must be reorganized, and all the experience and discipline of years and years will be lost. There are gentlemen here repre senting institutions which have a record of seventy-five years and of 100 years. Banking is not a thing that can be grown up in a day, Banks are institutions whose roots descend to the very origin of society. No

society can possibly live without them. They are indispensable in civilized life. No country that you know of exists without such institutions.

Shall these institutions that perform this service without the possibility of reward, be taxed for doing it? This coin is of no use; it lies in our banks utterly idle. The only thing we do about it is to reckon it up and pay one-half per cent. to the government for taking care of it. Is it just? Is it high public policy? Is it statesmanship? Is it not striking at the very vital point affecting financial recovery?

Mr. Kelley: While gold is not money in the hands of individuals, does it not answer the purposes of money in the banks by being counted as part of the reserve?

Mr. Coe: I thank you for mentioning the reserve. That suggests another point. You are aware that the law, as it now stands, requires all depositories of money in cities to carry a reserve of 25 per cent., in other words, to keep 25 per cent. of their deposits on hand idle. They are not relieved from taxation upon that portion in consideration of not being allowed to use it; they are taxed upon it all just the same. We pay a tax not only upon the coin which we cannot use, but upon the reserve which we cannot use. It only strengthens the argument, and makes it more emphatic.

Now, as to dividends, the banks in the city of New York, one-half of them have not for the last two years earned their dividends, and for the last year not one-third of them. And I say, furthermore, that there is not one-third of all of those that have not drawn upon the reserves which they accumulated during the war. They have paid the dividends out of those reserves to the stockholders, if they have paid any. Why have they done so? Because their stockholders consist largely of women and dependent persons. The average amount owned by each stockholder is $2,000. The shareholders of these banks are not a body of capitalists, bloated bond-holders, or any other odious term. They are mostly people in moderate circumstances, who have savings in the bank to the average amount of $2,000, and these people cannot live in this exhausted state of things unless they get something out of their stock. They appeal to us in agony and distress. "Give us a dividend. Draw it from your reserves. The reserves were made for dividends." And so we by necessity respond, "We must do it." And we have done it. I repeat that our institutions did not earn the dividends which they have declared, but they paid them out of their reserves because they could not help responding to the agonies of the stockholders and to the necessities of the case. I tell you that on every hand the financial fabric is falling into decay. The whole thing is going to destruction. And upon your decision depends the question whether that destruction shall go on or whether it shall be stayed. The structure of government under which we live is no more important to the people than are the institutions which we represent here. You are well aware of their age, their importance, and their stability. When all kinds of corporations are falling around us, from demoralization and wrong-doing, how few, how very few, how small a percentage of those banking institutions are giving way for that reason. It is an exception worthy of being recorded. But it is impossible for them to continue. They will fall, and like lamps without oil, they will burn out and expire.

The aggregate deposits in the United States amount to two thousand and twenty-two million dollars. The money of the United States—paper, gold, and every other sort called money—is about eight hundred million dollars; so that the deposits would represent nearly three times more than all the money in the country. This shows clearly that these deposits are not

money, which is the subject-matter of discussion, but that they represent industry. They represent factories, looms, cotton, corn, even whiskey and tobacco.

Allow me simply to recapitulate. The tax on deposits is a tax on commerce, on its changes and interchanges. Every gentleman who knows anything about commerce, knows that if he sends produce to Boston he draws upon it and deposits the draft in bank; that the owner in Boston, when he forwards it somewhere else, does the same thing, and that it is the mass of these interchanges that go to make up bank deposits, and on which the banks have to pay this tax.

The money value of this question is about eight millions of dollars. Is it better policy for the government of the United States to dispense with that eight millions, which bears so oppressively upon every industry of the nation, or to continue it merely to redeem a bonded debt that is not due? What are you going to do with the money thus acquired? You have a surplus, and have had it for several years. These eight millions, so extracted from the industries of the people, are going to pay a debt in advance of its maturity. Every person in the United States would gladly borrow his portion of it, and not allow it to be thus paid. It is against public policy to hurry this payment now, when we are straining for our very life. It will all be fully and easily met as soon as we get back to a sound specie currency—the currency of commerce and of the world. We shall then rise again, like a giant from slumber. But now we are passing through a strait, which must be passed. Is there any statesmanship or common sense in prematurely doing that thing? I leave the question there.

Mr. E. A. Rollins, President of the Centennial National Bank of Philadelphia, formerly Commissioner of Internal Revenue, offered his views as follows.

REMARKS OF MR. ROLLINS.

Gentlemen:—The taxes on National Banks are paid to the Treasurer of the United States. Those on State banks, Savings Institutions and private bankers, are paid to the Collectors of Internal Revenue. From the last report of the Comptroller of the Currency, I learn the taxes paid by National Banks during the fiscal year, 1876, and from the report of the Commissioner of Internal Revenue, those paid to the collectors. They were as follows:

Taxes paid during the Fiscal Year 1876.

	Number.	On Circulation.	Deposits.	Capital.
National Banks.... ...	2,087	3,091,795.76	3,505,129.64	632,396.16
State Banks and Private Banks and Bankers...	3,829	10,265.52	2,572,164.97	989,219.61
Savings Banks having no Capital Stock........	691	....	427,365.78	....
Total............	6,607	3,102,061.28	6,504,660.39	1,621,615.77

The bill before the Committee asks the abolition of the taxes on the deposits and capital of all these institutions and persons—in all, about eight

millions of dollars—one-half of this amount from those organized under the National Currency Act, and the other half from those working under State laws.

Now, I do not propose very extended argument, but I will present several points, with attending data, susceptible of much elaboration, in advocacy of the passage of the bill.

1st. The popular notion that National banks have a monopoly, a valuable one given by the Government and which greatly enriches them, is a mistaken and a hurtful one. It should be dissipated that the bill may be fairly and justly considered. Since the Act of January 14th, 1875, any solvent State association, and any party of respectable gentlemen, anywhere, by complying with the Currency Acts, have been able to become a National Bank, with all the rights and privileges of such a bank. By depositing Government bonds as security, they have been able to procure notes for circulation. The rates for money, the hazards in its use, and the burdens of taxation have been such, however, that the privilege has been generally regarded as worthless. On the 1st day of November, 1875, there were 2,093 National banks. On the 1st day of last November there were only 2,087. During the year thirty-six new banks were organized while 43 went into voluntary or involuntary liquidation. Since the Currency Act was passed 207 associations organized to test its merits have willingly retired from the field in good order, and forty-nine have been driven from it—have absolutely failed. On the 1st of October, 1873, the National Banks had a circulation of $339,081,799. On the 1st day of last October, they had only $291,544,020. In three years they had voluntarily surrendered $47,537,799. The circulation now outstanding is less than at any period since 1866. State banks possibly may somewhere be monopolies, but National Banks can nowhere be such. This system is free.

2nd. There is a popular and prejudicial error as to what constitutes a bank. Most men think of it as a unit of surplus wealth, or at most as a little knot of large capitalists which, with perfect propriety can be loaded with immense and unequal burdens. They rarely cut it up into shareholders and depositors, and learn how very widely such burdens are distributed. They fail to see that the banks are but the aggregations of the moneys of hundreds of thousands of persons in moderate circumstances, in no small measure that of widows and orphans. Of the 360 stockholders of one of the National Banks in Newark, New Jersey, more than 200 are women. There are 208,-486 shareholders in the National Banks of the country, and of these 104,976, more than one-half have each an interest not greater than $1,000. The number of shareholders in State associations is nowhere returned, but its probabilities are easily cast. Investment of capital in United States bonds relieves it from tax, and all banks, State or National, have the privilege of such investment. The latter, however, carry comparatively so many more government bonds than the former that the taxes on the deposit of the two are better indices to the relative number of their stockholders, than are the taxes upon the capital.

From the above I give as the number of stockholders in National Banks	208,486
Do. do. State Institutions	152,988
Allowing only three depositors to one stockholder, we have depositors	1,084,422
The taxable deposits in savings banks without capital is $91,958,883 —that is of deposits, each exceeding $2,000.	
On the above basis their depositors are	25,400
Total	1,471,296

Thus we find nearly one and a half millions personally interested in banks, and more or less prejudiced by the taxes in question. They are scattered throughout every State and territory of the country, and are found in every condition above absolute want. Tens, perhaps hundreds, of thousands of the depositors receive interest on the deposits, and the amount of such interest is diminished in each case by its distributive share of the tax. This, of course, is evident in Savings Banks; but whether the interest is direct or indirect, it requires but slight analysis to find that where one member suffers all the members suffer also, though it may be in different degrees.

It is safe to say, that so large a number of persons is interested in no other enterprise in this country, unless it be that of agriculture, and that the abolition of no other tax, either internal or customs, would give direct relief to so many persons.

3d. There is a mistaken notion as to the profits from banking. The surplus of banks was acquired years ago, most of it ten, much of it fifteen, and some of it perhaps twenty years. This is held as much for security as for gain. Some of the banks are drawing on it to aid in their customary dividends, or to pay off their inevitable losses. This is not strange when it is remembered that the banks are carrying the hazard of great losses throughout this long period of financial depression.

During the last year, as appears by the report of the Comptroller of the Currency, there were charged off by the National banks for losses, the sum of $19,719,026.42. This is about 4% of their capital, and the Comptroller says in the same report that an amount nearly as great must probably be charged off next year. The simple fact is that banks made money when the public generally made money, and that they always suffer, and are now suffering, when other interests suffer.

4th. Other enterprises and occupations have long been relieved from tax, —relieved even when they were prosperous—and Congress ought not to insist that the banks should carry their burdens further.

In the spring and summer of 1862, Congress found it necessary to impose internal taxation. Through wise and judicious committees which spent much time in determining proper objects of taxation, it framed the first internal revenue bill, which became a law on the 1st day of July of that year. This law was very comprehensive and far-reaching. It asked contributions from almost everything. It taxed manufactures and income, auction sales, and the slaughtering of cattle, the carriage in one's stable and the silver plate on his table. It subjected to stamp duty the marriage certificate of one's parents, the inheritance he received from them, the insurance policy on his life, the mortgage on his house, the protest on his note, the writ under which he asked for justice, and the certificate of his physicians as to the cause of his death, but it imposed no tax upon the capital, circulation, or deposits of banks. Circulation and deposits were not taxed until the Act of March 3, 1863, and capital was first brought to charge by the Act of June 30, 1864. At that time the rate upon deposits was increased, and since then the rates upon all three have remained as they now are. Not a dollar came to the Commissioner of Internal Revenue, as a tax on circulation or deposits until October, 1863, when at least $75,000,000 had been paid from other sources, and the pressure of the war for money was still greater than it had been before.

In the winter of 1865, the war being over, Congress began to consider the reduction of internal taxes generally. At this time they had reached the enormous amount of $310,000,000 per annum. This at first it accomplished by enlarging the free list of manufactured articles, as representations

and appeals were made to them until the enumeration of exemptions filled half a dozen pages of the law. Then and at subsequent sessions relief was granted to insurance companies, railroads, telegraph companies, occupations, professions, &c.. until, at last, taxes to the amount of two hundred million dollars were swept away. Parties in interest came in crowds from session to session, and the rooms of the Ways and Means and Finance Committees were crowded with those who sought and secured relief. The banks, however, had no organization, and as they failed to make request therefor the law in their behalf remained unchanged.

It is safe to assume that had their necessities been made known their taxes would have been abated, if not abolished. It is monstrous that this nation imposes the same taxes on banks now as in time of war.

5th. The bill proposes like relief to all associations, State and national, and to private bankers.

6th. The present law is unequal and unjust in its spirit, and mischievous in its workings. More than one-half the stockholders in the National banks have each less than one thousand dollars. These are all taxed. Yet all those having two thousand dollars or less, in savings banks, having no capital stock, are not subject to tax at all. In these last named banks the average deposits for six months last year were...... $844,503,173

Of these there were taxed.................................. 91,958,880

Not taxed.................................. $752,554,290

A man with $2,000 deposited went untaxed, while a widow with $2,100 was taxed on the whole amount.

Most of these banks are in the Eastern States, and there too, in proportion to its population, is the largest number of National banks. The average amount of stock held by each shareholder in a National bank in those States is just $2,100. Why that should be wholly taxed, while $2,000 in another bank goes wholly free, does not easily appear.

Again, as money borrowed by a private banker is not taxed as capital, why should bank stock bought with borrowed capital be brought to charge?

Many more questions of the same character might be easily asked. The administration of the law relating to taxes upon private banks and bankers has always been vexatious, troublesome to the Internal Revenue office and officers, and I dare say they would be very glad to be well rid of it.

7th. The reserve required by law of the National banks being that portion of their deposits which they must keep in hand, is very large.

On the 2d of October last it was $198,400,000. The reserve actually held was $236,800,000.

If this was a fair average for a year. as it probably was, then these banks last year paid a tax of $1,184,000 on gold and legal tenders stored in their vaults. This seems like holding with one hand that the tax may be imposed by the other. It does not exhibit such protection, benignity and generosity as an intelligent and wise Government should exercise towards its subjects.

8th. Grant that the taxes should be abrogated, how can the Government spare the revenue? The report of the Secretary of the Treasury estimates the surplus revenue of the current year at $26,663,696.24, but states that if the requirements of the Sinking Fund are met, there will be a deficiency of several millions.

But what great harm if the Sinking Fund waits for a little? Its object is the reduction of the National debt. It was provided for by the Act of

February 5, 1862, and if only the requirements of the law had been exactly met every year, the debt, as the Secretary of the Treasury shows, would now have been reduced but $433,848,215. For three of the fifteen years since its passage the expenses of the Treasury denied the claims of the Sinking Fund, yet the debt has now been reduced $656,992,226, being $223,144,011 more than the law called for. Under these circumstances, it is far better that the indulgence of the law should be craved again for a little than that many banks should be driven into liquidation, and all bear unjust burdens.

9th. The taxes received from whisky, tobacco, cigars, ale and beer, during the fiscal year, 1874, were in round numbers.... $102,000,000

1875	"	"	"	"	....	110,000,000
1876	"	"	"	"	....	116,700,000

If this increase shall continue, it will alone be nearly sufficient to compensate for the relief desired and granted.

10th. The bonds deposited with the United States' Treasurer by the National Banks, as security for circulation, are $337,727,800. All bonds deposited once bore interest at 6 per cent.

There are now of Five per cent. bonds............ $134,652,000
of Four and a half per cent. bonds.. $10,305,000

This exchange made by the banks gives an annual saving to the Government of about $1,500,000, or nearly one half the annual tax on the deposits of these banks. When all the bonds shall be changed, there will be an annual saving of a sum just about equal to the whole tax on such deposits.

11th. What if the banks should break down under these burdens? When the cotton, or the iron, or the woolen interests suffer, large communities and districts suffer, but the business of the country in the main may be reasonably prosperous; when they all suffer there may be some hope, but if serious disaster falls upon the banks, if they succumb to the pressure upon them, there is not a comfortable home in all the country which will not be filled with anxiety and loss. The calamity would be universal.

Mr. Buell, President of the Importers' and Traders' National Bank of New York, submitted his views, as follows:

MR. BUELL'S ADDRESS.

Gentlemen of the Committee of Ways and Means,—It has often been said that a compromise measure will satisfy no one, and yet I appear before you with my colleagues of this large and influential deputation, representing the banking and commercial interests of every State in the Union, to advocate the Compromise Bill, No. 4565, introduced into the House a few days ago and referred to this Committee. This bill, in my opinion, does not grant all the relief which the prostrate and paralyzed business of this country has a right to ask in regard to bank taxation, but it is believed to be acceptable to this Committee and to Congress, and it grants a part of the needed relief.

On this account it commends itself to us, as statesmen and as men of business. The case we are intrusted to present before the committee is one of extreme urgency, as is proved not only by the fact that it has been taken up by the several thousands of national banks, State banks, savings banks, and private bankers that are organized in the American Bankers' Association, but also by the equally important evidence that the Chambers of Commerce and the Boards of Trade of Boston, Baltimore, Philadelphia, New

York, and other cities, are co-operating earnestly with us in the cause of bank-tax repeal. There are several reasons on account of which we ask that the bank taxes should cease to burden the trade and commerce of our country:

First. They are war taxes, and as the exigency is past for which they were imposed, and as nearly all the war taxes have been removed from other interests, it is fair and equitable that these burdens should also be taken off from the commercial interests.

Second. The bank taxes are mischievous, and at this critical period in our national finances, they will, if continued, be productive of much more serious evils in the future than in the past.

Third. The Treasury can spare the amount of revenue which will be given up by the repeal of these taxes on the banking business.

Fourth. The nation will gain by the repeal of these taxes much more than the Treasury will lose.

Let me briefly invite attention to each of these points:

BANK TAXATION IS WAR TAXATION.

First. The bank taxes are war taxes. Previous to the war, the banking business in this country was exempt from taxation by the National Government. In this respect the United States followed the same policy which was adopted by all the most enlightened commercial nations of the world. Capital is so important in the economy of our industries, and in the exchanging of values, that modern nations have, as far as possible, refrained from all attempts, by taxation or otherwise, to burden or impede its movements between the lender and the borrower.

Our State governments before the war, imposed the same tax upon the property of the banks, as upon that of other financial and commercial interests, and no more. It is both a curious and important task to trace the rise and progress of the unequal, oppressive, and anomalous system of taxation under which, in this country, the banking business has so long and so seriously suffered. This system has been aptly compared to the ingenious little surgical instrument well known in our hospitals, which, being invented by a Frenchman, is called a *tourniquet*. This little instrument consists of a band capable of being tightened by a screw, and by its means the circulation is arrested at will. This is just the process which is now strangling our financial system. The *tourniquet* was applied to it some years ago, and the screw has been tightened, year after year, until the circulation of capital in this country has been so alarmingly disturbed and disarranged, that if Congress does not interfere, and take off the screw, the banking machinery of the nation will be injured, and the recuperation which is already developing itself in so promising a manner will be greatly impeded, or, at least, it cannot be aided and promoted, as it ought to be, were the banking system in a more efficient and healthy condition. The banks entreat Congress to consider that no interests in the country are so easily influenced as the commercial interests, or so sensitive to unequal taxation, and that upon no interests in the country have the discriminating war taxes been allowed to remain so long.

When the national banking system was organized, in 1863, it was understood that the United States Supreme Court held that the State governments could not tax a national bank. This principle had been so completely accepted that it was regarded as fundamental. Chief Justice Marshall, in pronouncing the decision of the Court in the case of McCulloch *vs.*

The State of Maryland, expounded this principle in a very luminous and convincing argument, as follows:

CHIEF JUSTICE MARSHALL ON BANK TAXATION BY THE STATES.

"It is admitted that the power of taxing the people and their property is essential to the very existence of government, and may be legitimately exercised on the objects to which it is applicable to the utmost extent to which the Government may choose to carry it. The only security against the abuse of this power is found in the structure of the Government itself. In imposing a tax, the Legislature acts upon its constituents. This is, in general, a sufficient security against erroneous and oppressive taxation.

"The people of a State, therefore, give to their Government a right of taxing themselves and their property; and, as the exigencies of Government cannot be limited, they prescribe no limits to the exercise of this right, resting confidently on the interest of the legislator, and on the influence of the constituents over their representatives to guard them against its abuse. But the means employed by the Government of the Union have no such security, nor is the right of a State to tax them sustained by the same theory. Those means are not given by the people of a particular State; not given by the constituents of the Legislature, which claims the right to tax them, but by the people of all the States. They are given by all—for the benefit of all—and, upon theory, should be subjected to that Government only which belongs to all.

"It may be objected to this definition that the power of taxation is not confined to the people and property of a State. It may be exercised upon every object brought within its jurisdiction.

"This is true. But to what source do we trace this right? It is obvious that it is an incident of sovereignty, and is co-extensive with that to which it is an incident. All subjects over which the sovereign power of a State extends are objects of taxation; but those over which it does not extend are, upon the soundest principles, exempt from taxation. This proposition may almost be pronounced self-evident.

"The sovereignty of a State extends to everything which exists by its own authority, or is introduced by its permission; but does it extend to those means which are employed by Congress to carry into execution powers conferred on that body by the people of the United States? We think it demonstrable that it does not. Those powers are not given by the people of a single State. They are given by the people of the United States to a Government, whose laws, made in pursuance of the Constitution, are declared to be supreme. Consequently, the people of a single State cannot confer a sovereignty which will extend over them.

"If we measure the power of taxation residing in a State by the extent of sovereignty which the people of a single State possess, and can confer on its government, we have an intelligible standard, applicable to every case to which the power may be applied. We have a principle which leaves the power of taxing the people and property of a State unimpaired; which leaves to a State the command of all its resources, and which places beyond its reach all those powers which are conferred by the people of the United States on the Government of the Union, and all those means which are given for the purpose of carrying those powers into execution. We have a principle which is safe for the States, and safe for the Union. We are relieved, as we ought to be, from clashing sovereignty; from interfering powers; from a repugnancy between a right in one government to pull down what is an acknowledged right in another to build up; from the

incompatibility of a right in one government to destroy what there is a right in another to preserve. We are not driven to the perplexing inquiry, so unfit for the judicial department, what degree of taxation is the legitimate use, and what degree may amount to the abuse of the power? The attempt to use it on the means employed by the Government of the Union, in pursuance of the Constitution, is itself an abuse, because it is the usurpation of a power which the people of a single State cannot give.

"We find, then, on just theory, a total failure of this original right to tax the means employed by the Government of the Union for the execution of its powers. The right never existed, and the question whether it has been surrendered, cannot arise.

"But, waiving this theory for the present, let us resume the inquiry, whether this power can be exercised by the respective States consistently with a fair construction of the Constitution?

"That the power to tax involves the power to destroy; that the power to destroy may defeat and render useless the power to create; that there is a plain repugnance, in conferring on one government a power to control the constitutional measures of another, which other, with respect to those very measures, is declared to be supreme over that which exerts the control, are propositions not to be denied." (*McCulloch* vs. *State of Maryland*, 4 *Wheaton*, 428.)

HISTORY OF THE BANK TAXES.

With these principles in view, Congress determined to take into its own hands the taxation of the National Banks, and to put the amount levied and collected from these institutions into the National Treasury. The rate of taxation was so adjusted that it should bring in not only as much but more in proportion than the States had been levying upon the banking business for State purposes. Had this policy been carried out to the present time, the banks would not have had so much occasion to complain. There would have been for tax purposes two great divisions or classes of banks:—first, the National Banks, which would have paid every year a certain amount of taxation into the National Treasury: and secondly, the rest of the banks throughout the country, which would have paid nearly a similar rate of taxation to the governments of the respective States. The taxes would have been somewhat equitably and fairly distributed; and there would have been no double taxation, such as is now so notoriously invidious.

But this plan was not long adhered to. Complaints arose all over the country that the National Banks were untaxed; but in reality they paid more taxation to the United States Treasury than other banks did which were not under the National System. These taxes being paid directly by the banks to the Treasury of the United States, scarcely anybody realized the fact but the officers of the banks. Even the stockholders of the National Banks were, many of them, imperfectly aware of the amount of taxes on their bank shares, for the simple reason that the money was paid by the corporation to the United States Treasurer, and not by the shareholders to the ordinary officers of Internal Revenue.

CONGRESS DID NOT MEAN TO INFLICT DOUBLE TAXATION.

If the shareholders themselves were ignorant, it is no wonder that the great body of the community were also ignorant, of the amount of taxes paid by the National Banks. So much agitation was the result of this supposed anomaly that at length Congress authorized the State governments to tax the shares of National Banks at the same rate as other moneyed

capital in the hands of individual citizens, but without lessening as it should have done the Federal Tax upon them, and thus the system of double taxation began. All other business was heavily burdened, and the banks were then, as now, willing and anxious to bear their full equitable share of the fiscal burdens of the country. To make the taxes equal upon all the banks, both National and State, and private, and also upon the trust companies and savings banks, this double taxation was extended to all those institutions, and it still continues to be levied and collected year by year as during the severest pressure of the war, when the National Treasury was collecting an annual revenue of $312,000,000.

The policy of Congress when the National Banks were first authorized was equitable, and as far as possible it should be carried out at the present time. This policy was that the banks throughout the country should be equally taxed, but it was not intended that they should be subjected to double taxation, as resulted from subsequent and ill-advised legislation. Under the law, as laid down in Section 5219 of the U. S. Revised Statutes, the governments of many States tax the shares of banks to as great an extent, and in some States even greater, than they tax any other property, personal or real. Inasmuch as the original reason for the imposition of a Federal Tax upon the National Banks has ceased, justice demands the tax itself should cease. In other words, we ask that the Government taxes in question should be repealed, and that the subject of bank taxation should return to the State governments as before the war.

LOSSES INCURRED IN THE BANKING BUSINESS.

The banks, instead of making large gains, are, many of them, suffering heavy losses, as is shown by the Report of the Comptroller of the Currency, page 132. It then appears from the official figures that the banks of the city of New York, although they made dividends to their stockholders, amounting to four millions of dollars, from September 1, 1875, to March 1, 1876—six months—yet they earned but $3,400,000, so that their earnings fell short of their dividends by upwards of six hundred thousand dollars.

With very few exceptions the banks throughout the country can scarcely pay their ordinary dividends without drawing upon the surplus capital accumulated in previous years. As the war taxes imposed upon almost every other important interest in the United States have been repealed, and as the banks are being weakened by the unequal and oppressive burden which these war taxes imposed, it is hoped that immediate relief will be extended, especially as the present moment is so critical, and as the industrial revival, which is now so gratifying and so full of promise, is also so sensitive as to be easily checked and retarded, if not altogether prevented.

BANK TAXATION WORKS MISCHIEF TO BUSINESS.

Secondly. The bank taxes are mischievous, and, therefore, they should be repealed. To the practical business man it is evident, even in times of prosperity, when trade is active and labor is well paid and abundantly employed, that such taxes as oppress the banks must inevitably tend to become oppressive to the working classes as well as to their employers.

Many persons have supposed that the banks are institutions in which working men have little or no concern. Never was a greater sophism advocated or tolerated by intelligent men. Where, we may ask, do our toiling artisans obtain their weekly wages? Not from their employer alone; for, in most cases, he invests his whole capital in machinery, in buildings, and in raw material. The cases are very frequent, indeed, where the working capital

with which the employer pays his operatives must be had from his bank or not at all. This is a fact familiar to every one who is practically acquainted with the banking business.

HOW BANK TAXES INJURE WORKING MEN.

The application of an employer to his bank for money to pay his men is always regarded as peculiarly necessary to be responded to, because so many dependent and helpless persons will be affected by a refusal. If the bank cannot accommodate other valuable customers, it invariably gives the preference, other things being equal, to the prudent employer; for he has to pay his wages promptly or his men must go home on the Saturday night to starving families. But how can a bank give such accommodation, except it has the ability to lend? If each of twenty manufacturers want from their bank on the average about $2,000 next Saturday to pay their operatives, and if the bank has $40,000 to lend, all may be supplied, and the wages of this regiment of artisans will be promptly forthcoming. Those thousands of families will get their Sunday's dinner, and the wants of the week will be supplied. But suppose that the bank has been crippled by a withdrawal of one-fourth of its capital, its lending power having been driven away by excessive taxation, so that, instead of having $40,000 it only has $30,000, what will be the result? One-fourth of the whole sum required for the wages of this little battalion of work-people will not be forthcoming. Either one man in four will have to go without his wages, or else each man will receive but three-fourths of what is due to him. Perhaps the weaker men among the employers will be unable to continue their business, and their employes may be made to join the grand army of tramps.

HOW BANK TAXES WORK CONTRACTION.

It is one of the alarming features of the present taxation on our banks that it is driving so much capital out of the business, and that it is contracting the loans which these institutions have been accustomed to make for the payment of the hundreds of millions of dollars required every week as wages throughout the United States. During the last few months, in the city of New York alone, there has been a contraction of bank capital to the amount of sixteen millions of dollars, as will be seen from the following official statement, compiled by Mr. W. A. Camp, the manager of the New York Clearing House.

New York Clearing House,
14 Pine Street,
February 1, '77.

James Buell, Esq.,

President Importers' and Traders' National Bank of New York:

Dear Sir,—As requested by you, I submit a statement of the amount of capital and surplus of the New York City Banks, compiled from their official statements, made in September, 1875, and January, 1877.

	September, 1875.	January, 1877.
Capital	$84,085,200	$77,635,200
Surplus	38,443,000	29,148,000
Aggregate Capital and Surplus	$122,528,200	$106,783,200

The whole reduction in capital and surplus is $15,745,000, with a probable further reduction of from six to eight millions more, unless the banks are relieved from the present unequal and excessive taxation.

In 1876, the Tax Commissioners increased the assessed value of bank shares in the City of New York, $11,754,127, over the previous year, their action forcing the retirement of capital and division of surplus as above.

The total assessed valuation of real and personal property, *including bank shares*, was increased only $10,110,646, showing a *reduction* in the valuation of all real and personal property, exclusive of bank shares of $1,643,481.

The investments of every kind of the banks, during the same period were reduced $30,018,600.

I am unable, at this time, to furnish you a comparative list of the prices of bank shares, but I think it safe to say that their market value has been reduced, on an average, from 12½ to 20 per cent.

Taking the reduced value of bank shares for taxation this year, in consequence of the increased assessment in 1876, at the minimum rate above, say 12½ per cent. on $77,635,200....	$9,704,400
And add to it the reduction on capital and surplus..........	15,745,000
Making an aggregate of........................	$25,449,400

This sum is the total loss on the assessed value of bank shares in one year.

Adding to this a further reduction of at least $8,000,000, which will certainly be made, unless relief is afforded by legislation, the total loss of bank capital and surplus will be $33,449,400.

Very respectfully,

W. A. CAMP,
Manager.

This contraction is ascribed almost wholly to the pressure of taxation; and we beg the Committee to inquire what will be the result of such a rapid diminution of capital? It shows not only nearly sixteen millions less of capital in the possession of the banks, but it shows a further contraction of banking facilities and of banking activity, and of banking credits, of more than five times sixteen millions. This is but a single instance of the baneful effects of the *tourniquet;* the screw of that powerful instrument of *contraction* is pressing to its utmost tension all over the country, and if Congress do not interpose, the evils which are now so apparent will soon become almost irremediable; another panic may be precipitated upon us at an early day.

We earnestly entreat the Committee to examine the evidence we have presented that bank taxes are mischievous; that they weaken and impair the efficiency of institutions by whose means employers are enabled to pay promptly the wages of the millions of toiling artisans in every great city as well as in every small town and village throughout the United States. Never has there been a period in the history of this country when banking capital was so rapidly withdrawn from the the business of banking as during the last eighteen months. Never have we had such a multitude of accumulating proofs that bank taxes are mischievous, that they produce a *contraction* of credit, that they shake the confidence of the capitalists and of the banking community, and that they have already produced a *contraction* of the lending power of the banks equal to many times the amount

of the capital which has been actually withdrawn. There is also this further cause for apprehension and alarm, that the evils we have briefly indicated are nearly all on the increase.

THE TREASURY AND BANK-TAX REPEAL.

Thirdly.—The treasury can spare the amount of revenue which will be given up by the repeal of these taxes on the banking business. The bill now before the Committee does not propose to make a clean sweep of the whole federal taxation collected from banks. I wish it did. No policy would be more just or timely than to remit the whole of the National Bank taxation, and to defray the expenses of the bureau of the Comptroller of the Currency by a direct assessment upon the banks. The aggregate of the taxes now collected by the treasury from the national banks is reported as follows by the Comptroller for several successive years:

YEAR.	ON CIRCULATION.	ON DEPOSITS.	ON CAPITAL.	AGGREGATE.
1864....	$53,096 97	$95,811 25	$18,402 23	$167,310 45
1865....	733,247 59	1,087,530 86	133,251 15	1,954,029 60
1866....	2,106,785 30	2,633,102 77	406,947 74	5,146,835 81
1867....	2,868,636 78	2,650,180 07	321,881 36	5,840,698 21
1868....	2,946,343 07	2,564,143 44	306,781 67	5,817,268 18
1869....	2,957,416 73	2,614,553 58	312,918 68	5,884,888 99
1870....	2,949,744 13	2,614,767 61	375,962 26	5,940,474 00
1871....	2,987,021 69	2,802,840 85	385,292 13	6,175,154 67
1872....	3,193,570 03	3,120,984 37	389,356 27	6,703,910 67
1873....	3,353,186 13	3,196,569 29	454,891 51	7,004,646 93
1874....	3,404,483 11	3,209,967 72	469,048 02	7,083,498 85
1875....	3,283,405 89	3,514,310 39	507,417 76	7,305,134 04
Totals...	$30,836,937 42	$30,104,762 20	$4,082,150 78	$65,023,850 40
1876....	3,091,795 76	3,505.129 64	632,396 16	7,229,221 56
Totals...	$33,928,703 18	$33,609,891 84	$4,714,546 94	$72,253,071 96

From these figures it appears that the taxes on deposits amounted last year to three and a half millions of dollars, while the taxes on capital have averaged less than half a million. Thus, the yearly amount of revenue from this source is about four millions. Besides this sum, which was collected from the National Banks, an equal amount was levied and collected from the State banks, the savings banks, and the private banks and bankers, by the Commissioner of Internal Revenue. During the fiscal year ending June 30, 1876, the amount of these taxes was reported to be: On deposits, $2,572,164; on capital, $1,416,585, and on circulation, $17,947; the total is, $4,009,698. It follows from these facts that the total revenue accruing from the bill 4,564, before the committee, will amount to $8,000,000. It is easy to show that the Treasury can spare this amount of revenue without interfering in any way with the efficiency of the Government. To some persons, it may appear difficult to spare any of those taxes by which the treasury is supplied. For, in the first place, the importations of foreign

commodities have been so light that the customs duties have yielded diminishing revenues to the Treasury. Subjoined is a statement which I have obtained from the Bureau of Statistics, showing the amount of imports and exports during the year ending December 31, 1876, as compared with the previous year. The falling off in our aggregate imports amounts to $64,-956,981, as is shown in the subjoined table prepared by the Bureau of Statistics:

IMPORTS AND EXPORTS JAN. TO DEC. 31, 1785, AND 1876.

[All specie values.]

	Imports.	Domestic Exports.	Foreign Exports.
Merchandise:			
Twelve months ended December 31, 1876..	$426,612,706	$575,698,040	$14,923,743
" " " December 31, 1875..	503,152,936	497,263,737	13,683,685
Specie and Bullion:			
Twelve months ended December 31, 1876..	$34,479,397	$47,973,752	8,380,713
" " " December 31, 1875..	22,896,148	70,108,852	9,194,662
Total Merchandise and Specie and Bullion:			
Twelve months ended December 31, 1876..	$461,092,103	$623,671,792	$23,304,456
" " " December 31, 1875..	526,049,084	567,372,589	22,878,347
Increase or Decrease in 1876............	64,956,981	56,299,203	426,109

As so much complaint is made in regard to the revenue of the last two quarters, I have obtained the official aggregates for the first six months of the current fiscal year. They compare as follows with those of the same two quarters for previous years; and show a falling off in the customs duties, with an increase in the receipts from internal revenue:

Receipts from Customs and Internal Revenue July 1 to December 31, 1873–1876.

	Customs.	Internal Rev.	Total.
1876–7...........................	$65,347,856	$58,056,217	$123,404,073
1875–6...........................	76,501,557	57,457,792	133,959,349
1874–5...........................	78,838,438	53,562,666	132,959,349
1873–4...........................	80,593,852	48,148,518	128,742,370

It thus appears that the Treasury is gaining from one of the two great sources of revenue while it is losing by the other. The Secretary of the Treasury, in his report for 1876, gives the following statement of the national revenues and expenditures, as partly estimated and partly accrued, for the current fiscal year: Income, $264,292, 449.59; expenditure, $237,-628,753.35; surplus, $26,663,696.24.

Such are the figures of the Secretary of the Treasury in his last report. He shows, that besides paying all the estimated disbursements for the fiscal year 1877, there will be a surplus revenue of twenty-six millions. The surplus, if the taxes on bank deposits and bank capital be remitted from March to June next, will be reduced by less than two and a half millions of dollars. If, therefore, the reforms in our bank taxation which are now proposed in the bill 4565 before the committee, should be accomplished, there will not only be

no deficiency in the revenue, but there will be an actual surplus of more than twenty-four millions for the current fiscal year.

BANK TAX REPEAL AND THE SINKING FUND.

But there are claims that have been set up in regard to the sinking fund which in my opinion cannot be sustained and should not be conceded. When the law of February, 1862, was passed, under which the early portion of our war debt was authorized, it was considered necessary to support the national credit in the money markets at home and abroad by a provision that after the 1st of July, 1862, one per cent. of the whole debt of the United States should be purchased or paid within each fiscal year, to be set apart as a sinking fund. The same statute required that the interest on the said fund should in like manner be applied to the purchase or payment of the bonds or indebtedness of the United States. The second of these provisions was re-enacted in the sixth section of the act of July 14, 1870, which required that, in addition to other amounts to be applied to the redemption or payment of the public debt, an amount equal to the interest on all bonds belonging to the sinking fund should be applied to the payment of the public debt. The report of Mr. Secretary Morrill, to which I have already referred, is so clear and exhaustive on this subject that I beg the permission of the committee to quote from it the following detailed statement about the sinking fund:

SECRETARY MORRILL ON THE SINKING FUND.

"It is expected that the revenues for the current fiscal year will yield the sum of $264,292,449.59, and that the expenditures will amount to $237,628,753.35, which will leave a surplus revenue of $26,663,696.24. The amount which should be applied to the sinking fund is estimated at $33,-705,806.67. The surplus revenues will fall below that amount, in the opinion of the Department, by not less than $7,042,110.43. * * *

"By the terms of the act of February 25, 1862, it was provided that, after the first day of July, 1862, one per centum of the entire debt of the United States should be purchased or paid within each fiscal year, to be set apart as a sinking fund; also, that the interest on said fund should in like manner be applied to the purchase or payment of the debt. The sixth section of the act of July 14, 1870, also requires that, in addition to other amounts to be applied to the redemption or payment of the public debt, an amount equal to the interest on all bonds belonging to the aforesaid sinking fund should be applied to the payment of the public debt.

"From the time when the act first named was to go into effect, until August 31, 1865, the demands upon the Treasury for expenses incident to the war were greatly in excess of the revenues of the Government, and therefore there was no surplus income which could be applied to the extinguishment of the debt or the creation of a sinking fund, and consequently the law providing for that fund was during that period necessarily rendered inoperative.

"It will be noticed that the statute contemplated that a certain sum should be applied within each fiscal year to the account of the sinking fund. If the resources of the treasury during each fiscal year, commencing with July, 1862, had been sufficient to have made a little compliance with the conditions of the law practicable, the account would, at the close of the last fiscal year have appeared upon the books of the Department as follows:

Amount for fiscal year 1863	$5,556,269 97
Amount for fiscal year 1864	12,184,090 52
Amount for fiscal year 1865	20,233,683 45
Amount for fiscal year 1866	30,490,707 15
Amount for fiscal year 1867	33,080,531 88
Amount for fiscal year 1868	33,736,306 85
Amount for fiscal year 1869	34,638,937 03
Amount for fiscal year 1870	35,959,651 99
Amount for fiscal year 1871	36,370,257 59
Amount for fiscal year 1872	36,507,573 43
Amount for fiscal year 1873	36,859,924 20
Amount for fiscal year 1874	38,012,930 63
Amount for fiscal year 1875	39,536,019 66
Amount for fiscal year 1876	40,681,331 02
Grand total	$433,848,215 37

"On the 31st of August, 1865, the public debt, as represented upon the books of the Department, and shown by the public debt statement, reached its highest point, viz.:

Debt, less bonds issued to the various Pacific Railroad companies, and less cash in the treasury	$2,756,431,571
On June 30, 1876, the debt, including accrued interest, less bonds issued to the Pacific Railroad companies, and less cash in the Treasury, was	2,099,439,344 99
Reduction of the debt	$656,992,226 44

"The terms of law of February 25, 1862, required by the operations of a sinking fund account that the public debt should be reduced in the sum of $433,848,215.37 between July 1, 1862, and the close of the last fiscal year. A reduction has been effected during that period of $656,992,226.44, or $223,144,011.07 more than was absolutely required. It can therefore be said, as a matter of fact, that all the pledges and obligations of the government to make provision for the sinking fund and the cancellation of the public debt have been fully met and carried out."

Nothing can be clearer, in my judgment, than this. The Secretary fully demonstrates that all demands on account of the sinking fund under existing laws will be satisfied if we shall have paid no more than $469,000,000 up to the close of the present fiscal year. But when that period arrives we shall have not only paid off the whole of the $469,000,000 required by the sinking fund law, but we shall have paid off $186,000,000 more. Indeed, as the official report shows, the whole of these payments have been actually made at this moment. On this report the evidence is conclusive that the sinking fund claims upon the surplus of this year cannot be sustained.

MR. KELLEY ON THE SINKING FUND.

If time permitted, it would be an easy task to cite authorities in support of this view. I have, however, trespassed so long upon the patience of the committee that I will omit much that might be said on this point, and will refer briefly to a single authority, that of a distinguished member of this committee, the gentleman from Pennsylvania. In the House of Representa-

tives, February 12, 1875, the following, according to the official report, were that gentleman's remarks in regard to the sinking fund:

"The sinking fund was provided for by law in 1862, but it really came into existence as a separate and distinct fund in 1869. Before then we had extinguished large amounts of our debt, and have since then bought bonds and cancelled them and stopped the interest on them. All the world knows that our credit is buttressed and sustained by the payment and cancellation of nearly twice the amount demanded by the sinking fund. * * * * This, I was about to remark, is the way the alleged deficit is produced: They carry back bonds from 1869 to 1862, and charge up against the cancelled bonds and against the hungry working people of the country a deficit of the quotas of seven years to the sinking fund, because the payments were not applied to it technically within each year."

INCREASE OF REVENUE FAVORABLE TO BANK-TAX REPEAL.

Before closing this part of my argument, I must for a moment direct the attention of the committee to the fact that the revenues of the treasury are moving on the ascending grade. The country has passed through a season of stagnation and business depression, and we are approaching a transition stage, in which signs of improvement are increasing upon us to a most gratifying extent. There is every reason to conclude that the receipts of the government will exceed the estimates throughout the remainder of the fiscal year, and that, if a wise and liberal fiscal policy is adopted by Congress, the improvement may be continued into the following fiscal year. Such, at least, is the opinion entertained in well-informed quarters. What is certain is that the Treasury can easily spare the two and a half millions of revenue, which the bill proposes to give up for this year, as well as the eight millions of revenue which would be surrendered for subsequent years, without the sacrifice of any interest at all commensurate with those which demand the repeal of these oppressive, dangerous and unequal taxes.

COMMERCIAL AND INDUSTRIAL ADVANTAGES OF REPEAL.

Fourthly. The nation will gain by the repeal of these invidious taxes much more than the Treasury will lose. We have seen how small an amount of revenue is required to be given up. Let us turn our attention to the great commercial and industrial reasons for submitting to this demand. The fiscal policy of all civilized nations through many ages of experience has been settled on the basis of two or three fundamental principles. One of the chief of these principles is that capital is so sensitive and so indispensable, so timid and so easily driven away, that all fiscal exactions by taxation or otherwise should, so far as possible, be taken off the banks and other financial institutions which promote the movements of capital between those who borrow and those who lend. It is well known that in the United States during the war we were obliged to raise immense sums by taxation, and the temptation to take money wherever we could find it was too strong to be resisted. We taxed our manufacturers and so crippled our industries by our fiscal war measures that a cry for relief sprung up, to which ten years ago this committee responded with a judicious and patriotic promptitude. There are gentlemen here who were prominent in that movement for the relief of our perishing manufacturers. The war taxes on manufacturers being removed, their baneful effects soon passed away, and their prosperity which in 1867 and in subseqent years was so conspicuous was to a great extent caused by the wholesome legislation which freed those industries from their war taxes. Similar results followed the repeal of other war taxation, and almost

the last relic of these war taxes is now, we trust, about to be swept from the statute book by the liberation from their fiscal burdens of our bank deposits and bank capital.

We stated just now that the amount of Federal taxation collected from the National banks is seven millions, and we gave the tabular statistics from the Comptroller's report, showing the amount yielded by the tax on the circulation of National banks as well as on their deposits and their capital. These duties are imposed by Section 5,214 of the Revised Statutes, which provides that the national banks shall pay to the Treasurer one per cent. a year upon the average amount of their notes, one-half per cent. per year upon the average amount of their deposits, and one-half per cent. per year upon their capital not invested in U. S. bonds. Besides this Federal taxation, the governments of the respective States tax the shares of the banks in the tax lists with the personal and real property, except that there are some discriminations against bank taxes as compared with other personal property. These discriminating provisions ought to be removed; but I waive for the present this part of the subject. The Comptroller of the Currency publishes the following table of the aggregate taxation paid by the National banks, both to the Federal treasury and to State government, for the year 1875. We append to the table the aggregates for several years between 1867 and 1874.

1875.	Capital.	Amount of Taxes.			Ratios to Capital.		
		United States.	State.	Total.	United States.	State.	Total.
					Per cent.	Per cent.	Per cent.
Maine	$9,790,104	$112,652	$215,981	$328,633	1.2	2.2	3.4
New Hampshire	5,482,514	61,006	103,949	164,955	1.1	1.9	3.0
Vermont	8,216,467	89,360	169,044	258,404	1.1	2.2	3.3
Massachusetts	43,063,374	491,157	865,198	1,356,355	1.1	2.0	3.1
Boston	51,362,454	703,218	957,283	1,660,501	1 4	1.9	3.3
Rhode Island	20,548,433	201,639	269,402	471,041	1.0	1.3	2.3
Connecticut	25,852,987	277,984	435,680	713,664	1.1	1.7	2.8
New York	35,471,333	529,804	962,982	1,492,786	1.5	2.7	4.2
New York City	68,466,576	1,376,541	2,093,143	3,469,684	2.0	3.1	5.1
Albany	2,088,462	62,215	71,740	133,955	3.0	3.6	6 6
New Jersey	14,072,520	208,559	300,894	509,453	1.5	2.1	3.6
Pennsylvania	29,655,994	410,928	175,059	585,987	1.4	0.6	2 0
Philadelphia	17,019,239	346,950	128,996	475,946	2.0	0.8	2.8
Pittsburgh	10,059,041	141,545	56,246	197,791	1.4	0.5	1.9
Delaware	1,523,185	22,025	7,952	29,977	1.5	0.5	2.0
Maryland	2,268,238	30,468	31,355	61,823	1.3	1.4	2.7
Baltimore	11,469,355	150,003	230,368	380,371	1.3	2.0	3.3
District of Columbia.	252,000	4,555	262	4,817	1.8	0.1	1.9
Washington	1,239,564	16,905	3,462	20,367	1.4	0.3	1.7
Virginia	3,535,719	54,132	70,710	124,842	1.5	2.0	3.5
West Virginia	1,971,000	25,775	30,102	55,877	1.3	1.7	3.0
North Carolina	2,232,150	31,406	34,584	65,990	1.4	1.6	3.0
South Carolina	3,135,000	34,747	106,760	141,507	1.1	3.4	4.5
Georgia	2,716,974	29,023	45,790	74,813	1.1	1 6	2.7
Florida	50,000	854	1,056	1,910	1.7	2.1	3.8
Alabama	1,638,866	18,865	22,204	41,069	1.2	1.4	2.6
New Orleans	3,766,667	59,314	9,870	69,184	1.6	0.3	1.9
Texas	1,205,350	15,819	20,844	36,663	1.3	1.7	3.0
Arkansas	205,060	1,983	3,288	5,271	1.0	1.6	2.6
Tennessee	3,468,992	47 341	78,427	125,768	1.4	2.3	3.7
Kentucky	7,201,765	80,777	36,311	117,088	1.1	0.5	1.6
Louisville	3,358,000	45,012	16,290	61,302	1.3	0.5	1.8

1875.	Capital.	Amount of Taxes.			Ratios to Capital.		
		United States.	State.	Total.	United States.	State.	Total.
					Per cent.	Per cent.	Per cent.
Ohio	21,110,393	292,900	507,231	800,131	1.4	2.4	3 8
Cincinnati	4,000,000	80,198	105,199	185,397	2.0	2.6	4.6
Cleveland	4,550,000	51,011	104,872	155,883	1.1	2 3	3.4
Indiana	18,588,189	229,606	470,836	700,442	1.2	2.6	3.8
Illinois	11,873,363	186,188	271,636	457,824	1.6	2.3	3.9
Chicago	7,673,757	173,506	188,524	362,030	2.3	2.5	4.8
Michigan	8,568,270	105,676	146,993	252,669	1.2	1.7	2.9
Detroit	1,900,000	33,331	24,744	58,075	1.8	1.3	3.1
Wisconsin	2,974,651	47,584	55,156	102,740	1.6	1.9	3.5
Milwaukee	700,000	16,263	19,229	35,492	2 3	3.0	5.3
Minnesota	4,391,068	60,781	93,736	154,517	1.4	2.3	3.7
Iowa	6,416,607	104,667	126,088	230,755	1.6	2.0	3.6
Missouri	2,742,199	36,361	93,467	129,828	1.3	3.5	4.8
St. Louis	6,360,300	75,135	177,464	252,599	1.2	2.8	4.0
Kansas	1,588,821	22,901	45,548	68,449	1.4	3.2	4.6
Nebraska	994,758	22,277	21,689	43,966	2.2	2.3	4 5
Oregon	250,000	5,654	3,037	8,691	2.3	1.2	3.5
California	1,552,622	17,186	....	17,186	1.1	......	......
San Francisco	2,917,112	35,780	....	35,780	1.2	......	......
New Mexico	300,000	4,228	3,250	7,478	1 4	1.1	2.5
Colorado	923,473	18,987	25,714	44,711	2.1	3.3	5.4
Utah	300,000	3,472	2,550	6,022	1 2	1.3	2.5
Idaho	100,000	1,429	2,367	3,796	1.4	2.4	3 8
Montana	350,000	7,047	9,137	16,184	2.0	2.6	4.6
Wyoming	125,000	2,049	3,523	5,572	1.6	2.8	4.4
Dakota	50,000	742	900	1,642	1.5	1.8	3.3
Total 1875	$503,687,911	$7,317,531	$10,058,122	$17,375,653	1.5	2.0	3.5
" 1874	493,751,679	7,256,083	9,620,326	16,876,409	1.5	2.0	3.5
" 1869	419,619,860	10,081,244	7,297,096	17,378,340	2.4	1.7	4.1
" 1867	422,804,666	9,525,607	8,813,126	18,338,734	2.2	2.1	4.3

It may be interesting to compare the rates of taxation,—national, State, and total,—upon national bank capital in those States in which the taxation has been levied at the highest rate. Some interesting comparisons are suggested by the following table.

States.	1874.			1875.		
	U. S.	State.	Total.	U. S.	State.	Total.
New York	1.9	2.9	4 8	1.8	2.9	4.7
New Jersey	1.5	2.1	3.6	1.5	2.1	3.6
Ohio	1.4	2.2	3.6	1.4	2.4	3.8
Indiana	1 2	2.6	3.8	1.2	2.6	3.8
Illinois	1.8	2.2	4.0	1.8	2.4	4.2
Wisconsin	1 8	2.3	4.1	1.7	2.1	3.8
Kansas	1.5	3.3	4.8	1.4	3.2	4.6
Nebraska	2.0	3.3	5.3	2.2	2.3	4.5
South Carolina	1.1	3.6	4.7	1.1	3.4	4.5
Tennessee	1.5	2.2	3.7	1.4	2.3	3.7

Let us next compare the unequal rates of taxation in the principal cities of the United States for the year 1875. The figures are noteworthy, and compare as follows:

Cities.	Rates of Taxation.		
	U. S.	State.	Total.
Boston	1.4	1.9	3.3
New York	2.0	3.1	5.1
Albany	3.0	3.6	6.6
Philadelphia	2.0	0.8	2.8
Pittsburg	1.4	0.5	1.5
Baltimore	1.3	2.0	3.3
Washington	1.4	0.3	1.7
New Orleans	1.6	0.3	1.9
Louisville	1.3	0.5	1.8
Cincinnati	2.0	2 6	4.6
Cleveland	1.1	2.3	3.4
Chicago	2.3	2.5	4.8
Detroit	1.8	1.3	3.1
Milwaukee	2.3	3.0	5.3
Saint Louis	1.2	2.8	4.0
Saint Paul	1.3	2.2	3.5

Another interesting table in the Comptroller's report gives the following statement, by geographical divisions of the national and State taxation for the years 1874 and 1875:

1874.

Geographical Divisions.	Capital.	Amount of Taxes.			Ratios to Capital.		
		U. S.	State.	Total.	U. S.	State.	Total.
					Per ct.	Per ct.	Per ct.
New England States	$160,517,266	$1,896,533	$2,980,484	$4,877,017	1.2	1.8	3.0
Middle States	190,162,129	3,325,425	3,911,371	7,236,796	1.7	2.1	3.8
Southern States	33,558,483	436,540	517,792	954,332	1.3	1.5	2.8
Western States and Territories	109,513,801	1,597,585	2,210 679	3,808,264	1.5	2.0	3.5
United States	493,751,679	7,256,083	9,620,326	16,876,409	1.5	2.0	3.5

1875.

Geographical Divisions.	Capital.	U. S.	State.	Total.	U. S.	State.	Total.
New England States	$164,316,333	$1,937,016	$3,016,537	$4,953,553	1.2	1.8	3.0
Middle States	193,585,507	3,300,498	4,062,459	7,362,967	1.7	2.1	3.8
Southern States	34,485,483	445,048	476,236	921,284	1.3	1.4	2.7
Western States and Territories	111,300,588	1,634,969	2,502,890	4,137,859	1.5	2.4	3.9
United States	503,684,911	7,317,531	10,058,122	17,375,653	1.5	2.0	3.5

We are now prepared to sum up the aggregate taxation imposed upon the National banks for the last ten years. The Comptroller reports the amount as follows :

Years.	Capital Stock.	Amount of Taxes.			Ratio of tax to Capital.		
		United States	State.	Total.	U. S.	State.	Total.
					Per ct.	*Per ct.*	*Per ct*
1866........	$410,593,435	$7,949,451	$8,069,938	$16,019,389	1.9	2.0	3.
1867........	422.804,666	9,525,607	8,813,127	18,338,734	2.2	2.1	4.3
1868........	420,143,491	9,465,652	8,757,656	18,223,308	2.2	2.1	4.3
1869........	419,619,860	10,081,244	7,297,096	17,378,340	2.4	1.7	4.1
1870........	429,314,041	10,190,682	7,465,675	17.656,357	2.4	1.7	4.1
1871........	451,994,133	10,649,895	7,860,078	18,509,973	2.4	1.7	4.1
1872........	472.956,958	6,703,910	8,343,772	15,047,682	1.4	1.8	3.2
1873.......	488,778,418	7,004,646	8,499,748	15,504,394	1.4	1.8	3.2
1874........	493,751,679	7,256,083	9,620,326*	16,876,409	1.5	2.0	3.5
1875........	503,687,911	7,317,531	10,058,122*	17,375,653	1.5	2.0	3.5

So far I have asked the attention of the Committee to the fiscal burdens of the 2,000 National banks, and I ought next to examine the burdens of the other banks. It is to be regretted that we have not equally complete details as to the taxation of the 4,500 State banks, private bankers, and savings banks, which make up so important and active a part of our banking system. The subjoined table was handed to me a few days ago by the Commissioner of Internal Revenue, and it appears to be more full and complete than any statistics of this part of our banking taxation that have been compiled before. If we had similar statements for previous years it would leave little to be desired in this respect.

Table showing the Average Capital and Average Taxable Capital, and the Average Deposits and the Average Taxable Deposits, returned by persons, firms, associations and corporations, other than National Banks, engaged in the business of banking during the tax year ended May 31, 1876.

	Amount not Taxable.	Amount Taxable.	Total.
Capital............	$26,163,769 00	$190,487,729 00	$216,651,498 00
Deposits...........	773,342,019 00	593,433,400 00	1,366,775,419 00

Additional Statement showing Tax collected on Deposits, Capital and Circulation, during Fiscal year ended June 30, 1876.

	Taxable Amount.	Tax Collected.
Bank Deposits.	$599,906,150 00	$2,999,530 75
Capital,	197,843,922 00	989,219 61
Circulation	1,014,957 00	10,149 57
Circulation over 90% of Capital..	5,797 50	115 95
Amount of Notes of persons, &c., paid out.	76,821 50	7,682 15
Total.	....	$4,006,698 03

If we add together the seventeen millions of taxation on National banks, the four millions of internal revenue from the State and private banks, and the eight or ten millions of State taxation of the same banks, we shall have an aggregate of nearly thirty millions a year as the taxes paid by our banking system to the national and State government. But these taxes are only a part of the burdens of the banking business in this country. There are other burdens, one of the chief of which is the increasing aggregate of yearly losses incurred in the ordinary course of business. The Comptroller gives the following statement of these losses, and as the facts he sets forth constitute one of the strongest arguments that has ever been urged against bank taxation, I quote his remarks in full :

"Section 5204 of the Revised Statutes provides that no National bank shall withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. It also provides that losses and bad debts shall be deducted from the net profits before any dividend shall be declared, and that all debts due to an association, on which interest is due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of the law. This provision is construed to include stocks and bonds upon which interest is past due, as well as promissory notes. The national bank examiners have been specially instructed to scrutinize the loans of the banks and report the amount of bad debts held by them; these instructions have been carefully observed, and have been followed by extensive correspondence from this Office with the banks, to which facts may in a great degree be attributed the charging off of a very considerable amount of losses, as shown below

"The following table, which is the first of the kind in reference to National banks ever prepared, exhibits by States and principal cities the losses charged off by the National banks during the two dividend periods of six months each, ending on March 1 and September 1, 1876 ·

LOSSES OF NATIONAL BANKS DURING THE YEAR ENDING SEPTEMBER, 1876.

States and Cities.	To March 1, 1876.		To September 1, 1876.		Total of Losses.
	Banks.	Amount.	Bank	Amount.	
Maine	16	$89,913 35	24	$97,775 10	$187,688 45
New Hampshire	13	69,274 06	24	168,389 65	237,663 71
Vermont	10	47,040 80	17	192,390 16	239,430 96
Massachusetts	65	337,254 65	109	919,404 60	1,256,659 25
Boston	30	471,115 98	43	1,127,606 70	1,598,722 68
Rhode Island	24	224,163 45	21	203,482 25	427,645 70
Connecticut	43	246,769 22	44	365,079 55	611,848 77
New York	98	471,725 71	123	828,951 80	1,300,677 51
New York City	36	2,288,694 10	43	4,585,065 87	6,873,759 97
Albany	3	57,687 01	5	39,327 09	97,014 10
New Jersey	25	118,276 08	37	181,632 15	299,908 28
Pennsylvania	60	197,013 13	81	536,812 13	733,825 26
Philadelphia	15	72,485 07	13	80,491 07	152 976 14
Pittsburg	11	76,533 97	14	257,317 59	333,851 56
Delaware	2	1,032 59	5	3,250 20	4,282 79
Maryland	6	893 67	8	25,252 35	26,146 02
Baltimore	10	260,665 29	11	615,542 03	876,207 32
Washington	2	8,122 17	4	2,706 19	10,828 36
Virginia	12	30,554 02	13	68,408 46	98,962 48
West Virginia	5	9,777 49	4	176 25	9,953 74
North Carolina	3	21,375 27	6	29,344 75	50,720 02
South Carolina	6	30,005 09	6	73,861 04	103,866 13
Georgia	4	40,289 88	10	120,270 30	160,560 18
Alabama	3	15,764 58	4	56,264 44	72,029 02
New Orleans	5	73,829 99	7	445,871 42	519,701 41
Texas	6	26,353 66	8	15,603 93	41,957 59
Arkansas	1	24,486 69	..	....	24,486 69
Kentucky	12	8,637 41	14	20,193 77	28,831 18
Louisville	4	18,611 01	7	40,492 78	59,103 79
Tennessee	6	9,176 41	11	26,403 70	35,580 11
Ohio	53	187,825 75	71	362,699 67	550,525 42
Cincinnati	2	35,392 95	3	66,817 50	102,210 45
Cleveland	4	22,033 30	5	30,275 63	52,308 93
Indiana	35	143,564 63	36	309,039 14	452,603 77
Illinois	31	76,350 24	47	167,676 16	244,026 40
Chicago	15	193,323 66	12	202,068 59	395,392 25
Michigan	22	51,712 91	34	138,064 04	189,776 95
Detroit	1	5,165 06	3	46,454 78	51 619 84
Wisconsin	16	53,304 89	17	16,186 29	69,491 18
Milwaukee	2	16,574 15	2	26,868 77	43,442 92
Iowa	29	95,931 48	32	186,443 66	282,375 14
Minnesota	18	26,238 59	14	28,504 01	54,742 60
Missouri	10	32,757 31	11	11,712 05	44,469 36
St. Louis	3	39,159 30	4	318,059 15	357,218 45
Kansas	7	8,815 01	7	18,729 94	27,544 95
Nebraska	4	12,763 29	4	3,906 90	16,670 19
Oregon	1	45 82	1	5,709 76	5,755 58
California	1	2,198 23	2	15,655 32	17,853 55
San Francisco	2	121,250 55	1	81,868 65	203,119 20
Colorado	6	16,914 87	6	45,137 33	62,052 20
Utah	1	34 85	1	2,781 25	2,816 10
New Mexico	2	3,190 04	1	126 32	3,316 36
Wyoming	1	18 50	1	2,645 30	2,663 80
Idaho	..	....	1	2,666 85	2,666 85
Montana	4	9,082 64	2	392 22	9,474 86
Totals	806	$6,501,169 82	1,034	$13,217,856 60	$19,719,026 42

"This table represents returns from all the National banks transacting business which charged losses to profit and loss or surplus account during the periods named; and it shows that the total losses disposed of were, during the first period $6,501,169.82, and in the second period $13,217,856.60, making a total of $19,719,026.42. The amount charged off by the New York city banks during the year was $6,873,759.97; by the Boston banks, $1,598,-722.68; by the Philadelphia banks, $152,976.14; by the Pittsburgh banks, $333,851,56; by the Baltimore banks, 876,207.32, and by the New Orleans banks, $519,701.41. A very small proportion of the assets thus charged off may ultimately be recovered; but there are still other considerable amounts of doubtful debts held by the banks, and it is estimated that an amount nearly as great will be charged to surplus or profit and loss during the ensuing year.

"The banks in the principal cities have for three years past held large amounts of currency as a dead weight, which greatly augments the nominal amount of deposits reported by them. There is no provision of law for disposing of this excess, either by funding, as originally authorized by the legal tender act, or by redemption in specie, either of which would reduce the amount of circulation. The rate of interest prevailing has therefore been unprecedentedly low, the average rate of the city of New York, for the three years ending June 30, 1876, having been 3.4 per cent. upon call loans, and 5.8 per cent. on commercial paper, while the average rate during the year has been 3.3 per cent. on call loans and 5.3 per cent. on commercial paper. It is therefore seen that the rate during the fiscal year of 1875-6 was somewhat less than the average rate for the three years previous. The banks have thus held a large amount of money which could not be used at remunerative rates. The government is receiving a revenue from the banks which is more than equal to all taxes paid by them before the war; while the States are also increasing very greatly the burdens which were previously as great as could be borne. Within the past two years seventy-one banks, and since the organization of the system 207 banks have gone into voluntary liquidation, chiefly on account of excessive taxation; and during the last year fewer banks have been organized than in any previous year since 1869, and unless some favorable legislation is obtained, a large number of banks will retire from the system to engage in private banking. In previous reports the Comptroller has called the attention of Congress to the fact that the amount of tax to which the National banks are subject (the average rate, including State and National, being about three and one-half per centum per annum) is much greater than that imposed on any other capital in the country. The reason for this will be apparent when it is remembered that the data for the assessment and taxation of National banks can always be obtained from their published statements; while the amount of the capital of other corporations, private firms, and individuals, cannot be as accurately determined. The United States tax on bank capital and deposits was essentially a war tax; and such impositions having been long since removed from every other similar interest, the Comptroller is fully of the opinion that justice to all parties requires its removal from this one also."

The banks ask no immunity from taxation; they only ask equality. They are willing to bear their full share of the public burdens. They are only unwilling to bear the double pressure of national and State taxation, a taxation to which no other interest is subjected. They ask Congress, as an act of simple justice, to repeal the national taxes now imposed upon them. The States have a system of taxation which has existed ever since the foundation of our national Government. Indeed, it

was long before copied from the earlier fiscal methods used in England prior to the Commonwealth and the emigration of our Puritan Fathers to this Continent. The State governments will not willingly abandon the methods so long established for levying State taxation by giving up their right to tax the banks. They will insist, as they always have done, upon the right of taxing all property, real and personal, within their limited jurisdiction. Subjoined is a historical statement of great interest by Chief Justice Chase, on the subject of State taxation of the banks. I desire to call the particular attention of the committee to the facts set forth, which are of the more interest from the fact that the Chief Justice, when Secretary of the Treasury, had more to do with the establishment of the National Banks than any other American statesman.

CHIEF JUSTICE CHASE ON TAXATION OF NATIONAL BANKS.

"The only ground upon which exemption from State taxes of the capital, franchises, operations, or property of corporations or associations has been adjudged by this court, is that of the repugnancy of such taxation to the acts of Congress organizing such corporations or associations, and making them the agencies or instruments of the National Government.

"The doctrine is, that Congress may create corporations or authorize associations, as means, instruments, or agents for the execution of national powers, and that such corporations or associations, being such means, instruments, or agents, are exempted from State taxation. But such corporations and associations must be organized in such manner, under such limitations, and with such liabilities as Congress may see fit to prescribe. If, in the judgment of Congress, therefore, the purposes of their organization will be better, or more safely fulfilled if subjected, in some respects, to State taxation, the acts authorizing their establishment may be so framed as to allow such taxation, excepting, probably, national securities, as already suggested. * * *

"The truth is, we think that Congress, when providing for State taxation of shares, had no reference whatever to any new use of bonds or any price of privilege. The National Legislature was engaged in providing a uniform currency for the whole country, and for its circulation and redemption. For this and other great national purposes the organization of the National Banking Associations was authorized, and it was expected that these associations would take the place of the State banks, from taxes on which the State derived considerable revenue. It was to remove the objections to the new system, founded on the loss of this revenue through the conversion of State banks into national associations, that Congress authorized the taxation of shares by the State. This taxation should be allowed to the extent of the concession of Congress. That concession limits it to the same taxation as the States impose on moneyed capital in the hands of individuals, in whose hands the proportion invested in national bonds is exempt. There is no reason for extending taxation on shares beyond that concession.

"But it is urged that other provisions in the Act of Congress require that construction of the proviso which allows taxation on shares without deduction of investments in national securities. We think otherwise.

"One of these provisions is that which requires the capital to be divided into shares of one hundred dollars each. This provision only shows that, at the outset, each share of paid up capital represented a property interest in the association, bearing the same proportion to the whole that one hundred dollars bore to the entire capital.

"The only other provision much relied on as favoring the construction of the majority, is that clause of the fortieth section, which requires the

officers of the several associations to keep correct lists of the names and residences of the shareholders, subject to the inspection of shareholders and creditors, and of the officers authorized to assess taxes under State authority. But is it not obvious that this list would be as useful to the State officers, in valuing the shares with the exemption of bonds, as in valuing them without exemption?

"It is said that exemption would embarrass valuation. How? All the assessor would have to do would be to ascertain the value of the whole property of the association, and deduct the amount of bonds. The remainder, divided by the number of shares, would give the value of each share to be taxed. And the assessor must value the whole property, and divide it by the number of shares, in order to make a true valuation of shares. If he does not do this, he must assess the shares at an arbitrary or speculative valuation. This is not what is required. The law demands true valuation; and true valuation, with deduction of bonds, places the shareholder on exact equality with the holder of other moneyed capital, which the law demands. No other mode of valuation secures that equality.

"There is another provision of the act which appears to us conclusive of the correctness of our view. It is that clause of the 41st section which provides for taxation by the United States. It imposes a tax of one per centum annually on circulation; one-half of one per centum on deposits; and, then one-half of one per centum on the capital, beyond the amount invested in United States bonds. Is it possible that Congress observed so scrupulously the obligations of good faith as to refuse to tax capital invested in bonds for national purposes, and this in the midst of war, and was yet so negligent of those obligations as to allow the same capital invested in bonds to be taxed in shares for State purposes? Can it be supposed that Congress, having undoubted power to tax national securities, refrained from exercising it because its exercise would be inconsistent with good faith, and yet intended, by ambiguous phrases, and in the exercise of questionable constitutional authority, to authorize such taxation by the States, who, without such authority, could not impose it at all? Suppose that, by this clause, Congress had imposed double the amount of tax actually assessed, and had provided for the payment of half of it to the States? That would have provided an indemnity to the States for the loss of taxes on the State banks, and would have subjected the national bonds to no tax. Is it reasonble to believe that Congress intended to adopt another mode of indemnity, which, by indirection, would subject those bonds to heavy taxation, and that by the States? "To us these questions seem to answer themselves. We are entirely satisfied that the construction of the proviso, and the rule for valuation of shares, which we have endeavored to vindicate, is the true one, and the only one consistent with sound principle and perfect faith."—3 *Wallace.* 595, 600 *and* 602.

To these cogent arguments I need add no words of mine, especially after the full, elaborate evidence which has been furnished to the committee to prove that the States cannot and will not relieve the banks from State taxes, so that except from Congress no relief can be had from our present double taxation. With regard to the benefits which will accrue to the country from repeal of the war taxes on the banks, it is impossible to overestimate them. The industries of our forty millions of people cannot but receive a new impulse if by this Congress, relief be given to our banking system, which is one of the most powerful sources of mercantile recuperation and industrial prosperity. For, as has been justly said, the profits of any national industry for a single week constitute an amount compared with which the two and a half millions of tax given up by the bill for the present year and the eight millions for subsequent years are a very small sum.

Among the subordinate reasons for repealing the bank taxes may be mentioned the notorious fact that these taxes as now imposed by both the National and State governments are unequal and unjust; and that their pressure cannot be distributed equally when imposed by both governments. Some of the large banks of New York hold many millions of deposits. A considerable part of this sum comes from banks in the larger cities of the interior, and of whose deposits a large proportion belongs to other and distant banks. Here, as is easily seen, there are often three or more distinct grades of deposits or credits, or rather we have the very same deposits or credits appearing three times over as taxable sums in our bank reports. These deposits or credits are taxed in the first plaee where they originate—in the country banks. Secondly, they are taxed over again when they are transferred to other centres where they form a part of the reported deposits. Thirdly, they are taxed in our New York banks when they finally reach it. But even this is not all. For when these same deposits pass from one bank into other banks outside of the city of New York, they again beeome taxable; and so on to the end of the chapter, they are burdened with a new tax at every movement or transition through whieh they pass. This repeated and redoubled taxation reminds us very forcibly of the celebrated fiscal expedient, the *Alcavala*, by which some eenturies ago Spain attempted to raise a revenue from her then flourishing manufactories. At every exchange the tax gatherer presented his desolating hand and assessed the *Alcavala*. Consequently, at every new movement of commerce or trade wherever the same goods changed owners the tax had to be paid, and the consequence was that many of the most active branches of commerce were taxed ten or a dozen times over. Thus, this insatiable *Alcavala* gradually strangled the manufactures, and paralyzed the productive energies of commerce, so that they did not revive again for eenturies. The Alcavala was a *tourniquet* applied to the productive interests of Spain just as the bank tax is now a *tourniquet* applied to the commercial and produetive interests of the United States.

THE SHYLOCKS ARE IN FAVOR OF BANK TAXATION, BECAUSE IT TENDS TO GIVE THEM A MONOPOLY.

There are those who do not wish the taxation of the banks to be taken off or diminished, beeause it is rapidly driving so many institutions out of the banking business. Henee, those which are strong enough to continue will have a monopoly of the business, and will be able to charge what they please for the use of money. Such selfish Shylocks would extract their "pound of flesh, nominated in the bond," from their neighbors' necessities, and would dance at the death of every commercial enterprise.

It is a fundamental principle of our government that taxes should be equal and impartial, but here is a tax whieh is grossly unequal and mischievous, invidious and partial. It heaps up a eolossal pyramid of fiscal burdens, and hinders or paralyzes eommercial movements which are so vital to the progress and prosperity of our country.

It has been reserved for this government to perpetrate the extraordinary anomaly of imposing a tax on deposits in banks—taxing not the owners but the custodians of capital—taxing them upon their indebtedness to depositors. The same prineiple would justify a tax upon the value of the contents of boxes lodged with safe deposit companies, or of goods stored in warehouses, &c., &c. Bank deposits are of so fugitive a charaeter, and form so vital a part of our commercial machinery—their swiftness of movement is so great, and their sensitiveness and value

so peculiar, that they cannot and should not be made the subject of taxation. Indeed, the whole of the movements of the banking business in the United States, as in all other commercial countries, should be as free as possible from fiscal burdens. But if at present it is impossible for us to be relieved of all bank taxes imposed by federal authority, and also of the check stamp nuisance, Congress will at least, we trust, remove forthwith the taxes on bank capital and deposits, if no more. At an early day in the next session we hope that the check stamp tax and the tax on circulation will also be repealed. But we earnestly urge upon the Committee of Ways and Means the absolute necessity, during the present session, of reporting and passing a bill for the complete removal of the taxes on bank capital and bank deposits, if no more.

Believe us, gentlemen, that the application of this tourniquet—this double taxation of banks and bankers—by driving capital out of the business, is producing a degree of contraction little dreamed of by those who are unacquainted with its operations. During Mr. M'Culloch's administration of the Treasury 44 millions of greenbacks were withdrawn, and contracted the currency to that extent. The whole country became alarmed. The attention of Congress was called to the subject, and the contraction was stopped; but in the present year, in the city of New York alone, 12 millions of bank capital, representing over 60 millions of credits, have been withdrawn and contracted by the silent operation of the tourniquet of double taxation. Is not this contraction with a vengeance? How long can it be continued at this rate without bringing business to a standstill? How long will it be before another panic will be precipitated upon us if this contraction of our commercial facilities is continued? Look at it! Between 70 and 80 millions in New York city alone, within the past year, have been withdrawn from the banking facilities, and what is true of New York is in its measure true of other cities and towns the country over. This is fact, not fancy. We ask to have the pressure of the *tourniquet* relaxed on at least this part of the commercial activities of the nation at once. I have trespassed so long upon the patience of the Committee, that I will add no further evidence, although it comes to me from every direction of commercial activity, not singly but in columns.

Mr. Buell then submitted the following telegram, just received by him while in the committee room:

BUFFALO, *Feb. 7th,* 1877.

To JAMES BUELL, *Sec'y Am. Bankers' Association*:—Acquaint Ways and Means Committee that the Board of Trade has adopted the following preamble and resolution this morning: *Whereas*, War taxes, both heavy and unequal in their burdens, are imposed upon National, State, Savings, and private Banks of this country, which taxes, for several years, have been productive of great commercial injury; that in no other country are such taxes incurred by the business of banking; and the exigency having passed away, the war taxes can be taken off without any sacrifice to the Treasury at all commensurate with the benefits which will result to the agricultural, financial, and commercial interests of the country. Further, that the present time is a proper one for Congress to interfere for relieving those interests, so that taxes now levied by the General Government on deposits, circulation, and capital of all banks should be immediately repealed, and the subject of bank taxation remitted to the several States and Territories as before the war. Therefore, *Resolved,* That this Board of Trade fully concurs in the

sentiments expressed in the foregoing preamble. Copies to be forwarded to the Senate and House of Representatives at Washington.

William Thurston,
Secretary Buffalo Board of Trade.

Mr. Buell also stated that he had received similar messages in favor of bank-tax repeal, by mail and by telegraph, from a great number of different sources, comprising Clearing Houses, Boards of Trade, Chambers of Commerce, Bankers' Associations, and other commercial organizations, in almost every State of the Union, showing that throughout the country the commercial and industrial community are profoundly agitated by the mischiefs of the present system of war taxation on the banking business.